EMALAHLENI MUNICIPALITY

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2018/2019 TO 2020/2021

DRAFT TABLED ANNUAL BUDGET OF

EMALAHLENI MUNICIPALITY

2018/19 TO 2020/21
MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

Copies of this document can be viewed:

- **At the satellite and main office buildings of the municipality**

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Abbreviations and Acronyms

BPC	Budget Planning Committee
CFO	Chief Financial Officer
MM	Municipal Manager
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EE	Employment Equity
EEDSM	Energy Efficiency Demand Side Management
EM	Executive Mayor
FBS	Free basic services
GDP	Gross domestic product
GDS	Gauteng Growth and Development Strategy
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
IDP	Integrated Development Strategy
IT	Information Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act
	Programme
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
mSCOA	Muncipal Standard Chart of Accounts
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PTIS	Public Transport Infrastructure System
RG	Restructuring Grant
RSC	Regional Services Council
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

Part 1 – Draft Tabled Annual Budget

1.1 Mayor's Report

The Speaker, Municipal Manager, Councillors, Officials and members of the community:

It is my pleasure to be able to submit to you the draft reviewed Integrated Development Plan for the next four years (2018-2022) as well as the Medium Term Revenue and Expenditure framework (MTREF) for 2018/2019 up to 2021 through the Emalahleni municipal council.
The economic environment in which we as Emalahleni Municipality function is not easy considering our high rate of unemployment and poor revenue base made worse, over the past few years, by the downturn in the economy caused by the world economic recession resulting in such negative economic contributors as sky rocketing fuel and food prices.

In the light of these factors over which we have little or no control over we are faced as a municipality with a daunting task and the challenge of

- Huge backlogs in service delivery,
- The socio-economic problems of high unemployment and poverty levels.

And the realisation that solutions to these challenges can potentially be in conflict with or complement each other.

Today I am able to report to you on the progress made in implementing financial controls, processes and procedures resulting in the drafting of a credible IDP and a credible budget linked and driven by our IDP and the national key performance areas of:

- Service delivery
- Financial viability and management
- Local economic development
- Municipal institutional development and transformation.
- Good governance and public participation

We as Council committed ourselves to lead by example in ensuring strict financial oversight and compliance with the guidelines of National Treasury MFMA.

To achieve this, we as the Council and Executive Committee committed ourselves to providing leadership based on a culture of honesty, ethical business practices and good governance by exercising our oversight responsibility regarding financial and performance reporting as well as adherence to compliance and implementation of internal controls.

Allow me now to highlight areas of focus within our departments

Corporate services

Our organogram has been developed to ensure that it is consistent with the needs of the organisation. In the months ahead we will be implementing the budgeted positions as approved and adopted by Council with this budget.

The effectiveness of the governance systems is being assessed and staff within the institution must work in an integrated and focussed manner driven by the IDP.

We are striving that Emalahleni Municipality becomes an employer of choice that capacitates both the councillors and staff.

We will also be implementing a project to improve the connectivity

Infrastructure Development and Human Settlements (IDHS)

The focus of MIG funding will be to ensure that projects are identified within PEDTA, community and infrastructure to ensure the maximum impact on our community.

The emphasis will be on finalising our road projects and continuing on the electrification of our villages.

An area we will focus on in the new year will be to address the office space of the institution and Improving the community facilities.

A number of community facilities will be maintained and constructed in the 2018/19 financial year.

We have allocated R38.150 million to construction and upgrading of Community facilities in the 2018/19 financial year.

Planning, Economic Development, Tourism and Agriculture (PEDTA)

The 5-year IDP was developed and was approved by Council in 2017 and we continue to review it on a yearly basis to ensure it is a true reflection of community, sectoral and stakeholder inputs and involvement and will be our guide over the remainder of our term of office.

Local economic development is a crosscutting function which requires the involvement of all within the institution.

The Elithini Coal Mine is temporarily closed, however there has been political engagements with the Provincial Government on the status of the mine. There are other small scale mining activities in a form of sand mining and the brick making. The municipality is in a process of exploring potential growth out of those small scale mining activities through supporting brick makers from Indwe and Dordrecht to supply their bricks and material in housing projects.

We have within the spatial development framework of our IDP focussed on potential areas of growth and despite our limited resources have accessed resources to develop these potential areas of economic growth through led projects.

We plan to utilise our interactions with business forums to assist them to bring together established and emerging businesses to share experience and ideas.

Community Services

The areas I wish to highlight within the Community Services directorate relate to revenue enhancement and solid waste sites.

The development and establishment of a traffic section within Emalahleni municipality has been identified as a source of revenue enhancement coupled to ensuring the safety of our community and to this end a traffic station was built and is currently in full operation. Further to this to ensure revenue maximisation from the establishment, a new traffic testing station will be built in the 2018/19 financial year and will be used as a source of additional income for the municipality.

The solid waste site and its completion remain a priority and we will continue in the new financial year to access and allocate funds to this critical area within community services.

An amount of R 800 thousand has been budgeted for funding the site inspection and establishment for a landfill site.

Finance

The process is ongoing to ensure credible data that forms the basis of our financial reporting and to this end we will ensure that the SEBATA system is implemented and used as a management tool.

The introduction of mSCOA has proven to be a challenge however the municipality has put all its resources to ensure that the Municipality is mSCOA compliant as required by National Treasury and all efforts will continue until such time that the municipality if operating live on the Sebata mSCOA complaint system SebataEMS.

As a municipality we are grant dependant and to this end it is necessary to continue looking for opportunities to expand the revenue base to reduce our dependence on grant funding and improve our financial viability. Hence one of the projects under financial viability is the data cleansing and revenue enhancement.

In the new financial year, we will look to ward councillors and committees in assisting us with our debt management and will further continue to implement the approved Revenue enhancement in order to ensure we meet the targeted collection rate of at least 75 %.

Budget figures

The budget we table today projects the following:

Increases

The tariff increases on services will be an average of 5.2% which is in line with the CPIX.

Electricity has been increased by an average of 6.8% in line with NERSA guidelines. These tariffs are subject to approval by NERSA.

By-laws and policies

Council has by- laws and policies in place which will be subjected to continuous reviews so that they remain relevant.

Income and expenditure

Operating budget

Total Revenue:	**R 153, 426 million**
Total Expenditure:	**R 182, 114 million**
Total Non-Cash items:	**R 30, 256 million**
Projected cash surplus:	**R 1, 568 million**

The implication of this is to alert us to the need for strict budget implementation and control during the financial year.

Capital budget:

Grant Funding:	**R 42.257 million**
Own Funds:	**R 225 thousand**
Borrowings:	**R 15.0 million**
Total Capital Expenditure:	**R 57.482 million**

I hereby table the Medium-Term Revenue and Expenditure Framework for 2019 through 2021 for adoption by the Emalahleni Municipal Council as per the resolutions under the item and budget document.

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CLLR N. NYUKWANA

MAYOR

1.2 Draft Council Resolutions

The Council approves and takes the following resolutions for the final annual budget (MTREF) of 2018/19 financial year:

The Council of Emalahleni Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves:

1.1. The annual budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:
   1.1.1. Budget Summary reflected in Table A1
   1.1.2. Budgeted Financial Performance (revenue and expenditure by standard classification) reflected in Table A2;
   1.1.3. Budgeted Financial Performance (revenue and expenditure by municipal vote) reflected in Table A3;
   1.1.4. Budgeted Financial Performance (Revenue and Expenditure) reflected in Table A4;
   1.1.5. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source reflected in Table A5 as well as individual capital projects reflected under SA36;

1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables attached in the budget documentation:
   1.2.1. Budgeted Financial Position reflected in Table A6;
   1.2.2. Budgeted Cash Flows reflected in Table A7;
   1.2.3. Cash backed reserves and accumulated surplus reconciliation reflected in table A8;
   1.2.4. Asset management in Table A9; and
   1.2.5. Basic service delivery measurement reflected in Table A10.

2. The Council of Emalahleni Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the following tariffs as set out and included in the budget documentation, with effect from 1 July 2015:

   2.1. The tariffs for property rates which are increasing on average by 5.2 % (percent)
   - Residential 0.0068c/R
   - Undeveloped land 0.0068c/R
   - Municipal Buildings/Properties 0c/R
   - Business 0.0130 c/R
   - Government 0.0130 c/R
   - Agriculture 0.0017 c/R
   - Public Service Infrastructure 0c/R
   - Public Benefit Organisations 0.0017 c/R

2.2. The tariffs for electricity has been increased by an average of 6.84% in line with NERSA guidelines. These tariffs are subject to approval by NERSA.

2.3. The tariffs for solid waste services which are increasing on average by 5.2 % (percent).

3. The Council of Emalahleni Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018 the tariffs for other services, which are increasing on average by 6.4 percent, as set out in the attached budget documentation as (**Annexure ....**).

4. Council resolves that the budget related policies reflected and listed below are approved for the budget year 2017/18

    - Property Rates policy
    - Budget Policy
    - Tariff policy
    - Indigence Policy
    - Credit control and Debt collection
    - Cash Management and Investments policy
    - Asset and Disposal Management policies
    - Funding and Reserve policy
    - Debt and Borrowing policy
    - Fleet Management policy
    - Virements policy
    - Petty Cash Policy
    - Supply Chain Management policy

5. Council resolves that the filling of the vacant posts as identified by Municipal Manger and tabled to Executive Committee, be approved.

6. To give proper effect to the municipality's annual budget, the Council of Emalahleni Municipality approves:

    That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. The Municipal Budget and Reporting Regulations, as well as various circulars issued by National Treasury, provides the guidance for budget preparation by local government.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. In addition, the municipality during March 2018 proactively embarked on a strategic long-term financial sustainability exercise in order to ensure that this budget, as well as future budgets, is compiled to ensure that services to the community remains at high levels without overburdening the consumers of municipal services with excessive tariffs.

The main items identified by the strategic planning exercise can be summarised as follows:

- Improved service delivery;
- Underdeveloped areas;
- Impoverished communities;
- Co-operative governance;
- Unfunded mandates, core functions service delivery agents;
- Land availability for e.g. economic development;
- Land availability for establishing tip-sites;
- Alternative service delivery options;
- Obtaining a "clean audit" inclusive of performance management;
- Delegation- and procedure manuals;
- Risk management;
- Improved planning and beyond 5 years;
- High crime rate;
- Service delivery backlogs;
- Improved maintenance programs;
- Local economic development facilitation;
- Adequacy of municipal reserves and financial sustainability;
- Curtail electricity losses;
- Tourism initiatives; and
- Improved public participation.

For each of these risk areas the municipality is compiling business plans in order to prioritise expenditure according to the risk ratings. These business plans will all be implemented over the MTREF period according to available funding; however, in the 2017/2018 financial year limited provision was made for the implementation of the business plans.

The Municipality has also embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government. The municipality, however, acknowledges that there can never be too much information and involvement in its interaction with the public at large, and for that reason it is still identified as a major risk area.

National Treasury's MFMA Circulars No. 58, 59, 66, 71, 72, 74and 75, 78,89 as well as the Strategic Workshops and IDP consultation processes, were mainly used to guide the compilation of the

2018/19 MTREF. Some of the key challenges faced by the municipality when compiling the budget were:

- The ongoing difficulties in the national and local economy;
- Aging roads and electricity infrastructure;
- The need to prioritise projects and expenditure within the existing resource envelope;
- The increased cost of electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects and the resultant operational costs associated with new infrastructure projects; and

The municipality is in a healthy financial position; however, it needs to at least stabilise and further strife to continuously better its financial position, coupled with acceptable levels of service delivery at affordable tariffs. The retention of sufficient cash-backed reserves is critical for the long-term sustainability of the municipality. The municipality is striving to establishing a Capital Replacing Reserve to fund future capital projects to help mitigate the over dependence on grants for funding capital projects.

The following budget principles and guidelines directly informed the compilation of the 2018/19 MTREF:

- The 2017/18 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2018/19 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should consider the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- The budget must be spent in full, and all grants should be utilised in full;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/19 Medium-term Revenue and Expenditure Framework:

EC136 Emalahleni (Ec) - Table A1 Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Financial Performance										
Property rates	3,719	3,744	4,146	4,302	4,502	–	–	3,615	3,896	4,191
Service charges	11,180	12,036	14,799	14,265	13,522	–	–	14,383	15,297	16,257
Investment revenue	3,350	3,846	2,313	2,538	1,081	–	–	2,045	2,148	2,255
Transfers recognised - operational	112,881	145,190	132,075	123,838	123,139	–	–	122,903	130,951	138,482
Other own revenue	9,097	10,285	8,004	9,649	9,649	–	–	10,479	11,003	11,553
Total Revenue (excluding capital transfers and contributions)	140,226	175,101	161,338	154,592	151,893	–	–	153,426	163,295	172,739
Employee costs	42,913	55,775	67,572	78,926	76,292	–	–	86,055	91,213	97,886
Remuneration of councillors	10,104	10,885	11,185	12,071	12,688	–	–	13,703	14,799	15,983
Depreciation & asset impairment	32,245	21,832	20,564	24,729	25,546	–	–	24,256	24,256	24,256
Finance charges	787	622	1,363	657	657	–	–	2,116	2,116	2,116
Materials and bulk purchases	15,892	14,918	14,386	23,121	20,014	–	–	18,366	17,566	17,566
Transfers and grants	–	–	–	435	1,379	–	–	290	290	290
Other expenditure	82,193	95,740	70,773	54,884	45,964	–	–	37,329	41,572	40,421
Total Expenditure	184,133	199,772	185,842	194,823	182,540	–	–	182,114	191,812	198,518
Surplus/(Deficit)	(43,907)	(24,671)	(24,504)	(40,231)	(30,648)	–	–	(28,688)	(28,517)	(25,779)
Transfers and subsidies - capital (monetary alloc	30,399	30,615	26,170	32,358	32,358	–	–	42,257	31,848	33,484
Contributions recognised - capital & contributed a	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(13,508)	5,944	1,666	(7,873)	1,710	–	–	13,569	3,331	7,705
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(13,508)	5,944	1,666	(7,873)	1,710	–	–	13,569	3,331	7,705
Capital expenditure & funds sources										
Capital expenditure	38,526	48,896	36,598	40,359	39,904	–	–	57,482	31,848	33,483
Transfers recognised - capital	30,399	30,615	26,170	32,358	32,358	–	–	42,257	31,848	33,483
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	8,000	7,545	–	–	15,000	–	–
Internally generated funds	8,127	18,281	10,428	–	–	–	–	225	–	–
Total sources of capital funds	38,526	48,896	36,598	40,358	39,903	–	–	57,482	31,848	33,483
Financial position										
Total current assets	56,580	47,277	33,707	18,978	36,732	–	–	40,525	36,853	39,277
Total non current assets	395,298	401,605	416,678	441,271	430,831	–	–	448,004	454,784	463,199
Total current liabilities	39,467	41,420	41,379	47,212	48,956	–	–	50,022	49,402	52,253
Total non current liabilities	6,241	6,828	6,878	16,493	14,973	–	–	21,304	21,701	21,984
Community wealth/Equity	406,170	400,462	402,128	396,544	403,634	–	–	417,203	420,534	428,239
Cash flows										
Net cash from (used) operating	18,153	45,168	21,912	15,178	33,251	–	–	33,807	22,934	31,726
Net cash from (used) investing	(37,085)	(48,229)	(36,844)	(40,358)	(37,363)	–	–	(50,982)	(29,848)	(31,483)
Net cash from (used) financing	(414)	(296)	(353)	8,000	7,250	–	–	14,059	(1,035)	(1,139)
Cash/cash equivalents at the year end	31,776	28,419	13,134	1,073	16,272	–	–	13,154	5,205	4,309
Cash backing/surplus reconciliation										
Cash and investments available	31,776	28,419	13,134	1,072	16,270	–	–	13,154	5,205	4,309
Application of cash and investments	6,686	12,868	8,671	18,055	12,083	–	–	10,495	6,592	6,672
Balance - surplus (shortfall)	25,091	15,551	4,462	(16,983)	4,187	–	–	2,659	(1,387)	(2,363)
Asset management										
Asset register summary (WDV)	395,298	401,605	416,678	441,272	430,832	–		464,057	465,731	480,876
Depreciation	32,245	21,832	20,564	24,729	25,546	–		24,256	24,256	24,256
Renewal of Existing Assets	–	–	–	4,305	4,305	–		4,508	17,130	21,809
Repairs and Maintenance	5,286	7,020	5,923	8,411	6,310	–		5,269	5,371	5,481
Free services										
Cost of Free Basic Services provided	454	1,225	1,834	3,900	3,900	–	3,900	3,900	3,900	3,900
Revenue cost of free services provided	–	–	–	1,000	800	–	2,000	2,000	2,000	2,000
Households below minimum service level										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	29	29	29	29	29	29	29	29	29	29

Total operating revenue has increased by 1 per cent for the 2018/19 financial year when compared to the 2017/18 Adjustments Budget. For the two outer years, operational revenue will increase by 6 and by 5.0 per cent respectively. The main reason for the increase in revenue is an increase in operational transfers.

Total operating expenditure for the 2018/19 financial year has been appropriated at R182 114 million and translates into a budgeted deficit of R28 688 million before capital transfers. When compared to the 2017/18 Adjustments Budget, operational expenditure has decreased by 0.2 per cent in the 2018/19 budget and increases by 5 and increase by 3.3 per cent for each of the respective outer years of the MTREF. The operating deficit, before capital grant transfers, for the two outer years decreases to R28 517 million for the 2019/2020 financial year and to R25 779 million for the 2020/2021 financial year. The main reason for the decrease in deficit is the municipalities commitment to cutting of expenditure and to build cash backed reserves to improve financial health and sustainability of the institution, it can also be attributed to the aggressive implementation of the Revenue enhancement plan.
The capital budget of R42.257 million for 2018/19 will show an increase when compared to the 2017/18 Adjustment Budget. This is due to the once-off allocation of additional 11 million for the construction of the Indwe Stadium. The capital allocation decreases to R31 848 million in the 2019/20 financial year and then in 2020/21 decreases to R33 484 million.
The municipality has provided for a borrowing of R15 million for capital projects as it currently has no internal funds available for the financing of capital projects and after considering all other funding methods, borrowings were seeing to be the most appropriate. The municipality is still well within the limits of its borrowing capacity but will raise very limited loans in the near future in order to curtail possible rising debt servicing costs.

1.4 Operating Revenue Framework

For Emalahleni Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality will also have to look at to revamp its revenue enhancement strategy. The latter will assist the municipality to identify areas to improve their revenue collection. In the absence of a revenue enhancement strategy, the following information were use to help the municipality's revenue management

- National Treasury's guidelines and macroeconomic policy;
- Limited growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure an improve percentage increase in annual collection rate for property rates and other key service charges. This percentage is low compared to past history, but is being calculated conservatively due to the signs of financial stress currently being experienced;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The inflation forecasts for the MTREF period is on average 5.2 % per annum. The municipality's aim is to not exceed inflation in its annual tariff adjustments but external factors such as the Eskom increases and which are beyond the control of the municipality hampers this goal.

The following table is a summary of the 2017/18MTREF (classified by main revenue source):

EC136 Emalahleni (Ec) - Table A1 Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Financial Performance										
Property rates	3,719	3,744	4,146	4,302	4,502	–	–	3,615	3,896	4,191
Service charges	11,180	12,036	14,799	14,265	13,522	–	–	14,383	15,297	16,257
Investment revenue	3,350	3,846	2,313	2,538	1,081	–	–	2,045	2,148	2,255
Transfers recognised - operational	112,881	145,190	132,075	123,838	123,139	–	–	122,903	130,951	138,482
Other own revenue	9,097	10,285	8,004	9,649	9,649	–	–	10,479	11,003	11,553
Total Revenue (excluding capital transfers and contributions)	140,226	175,101	161,338	154,592	151,893	–	–	153,426	163,295	172,739

The percentage revenue from own sources increases during the budget year. In the two outer years of the MTREF the increases in revenue is fairly consistent. The growth in revenue contributions are indicated below (Excluding Capital Transfers). In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

EC136 Emalahleni (Ec) - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	3,719	3,744	4,146	4,302	4,502	–	–	3,615	3,896	4,191
Service charges - electricity revenue	2	8,823	8,746	11,023	10,765	9,757	–	–	10,570	11,204	11,869
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	2,357	3,290	3,777	3,500	3,764	–	–	3,813	4,093	4,388
Service charges - other											
Rental of facilities and equipment		721	771	727	815	906			973	1,022	1,073
Interest earned - external investments		3,350	3,846	2,313	2,538	1,081			2,045	2,148	2,255
Interest earned - outstanding debtors		3,930	4,633	4,709	5,216	5,091			5,386	5,655	5,938
Dividends received											
Fines, penalties and forfeits		108	82	116	337	99			110	115	121
Licences and permits		462	444	1,073	1,700	1,690			2,145	2,252	2,364
Agency services		66	59	67	958	858			1,313	1,379	1,447
Transfers and subsidies		112,881	145,190	132,075	123,838	123,139			122,903	130,951	138,482
Other revenue	2	3,811	4,296	823	622	890	–	–	554	581	610
Gains on disposal of PPE		–	–	490	–	115			–	–	–
Total Revenue (excluding capital transfers and contributions)		**140,226**	**175,101**	**161,338**	**154,592**	**151,893**	–	–	**153,426**	**163,295**	**172,739**
Expenditure By Type											
Employee related costs	2	42,913	55,775	67,572	78,926	76,292	–	–	86,055	91,213	97,886
Remuneration of councillors		10,104	10,885	11,185	12,071	12,688			13,703	14,799	15,983
Debt impairment	3	13,567	4,398	7,406	7,500	3,000			6,000	6,000	6,000
Depreciation & asset impairment	2	32,245	21,832	20,564	24,729	25,546	–	–	24,256	24,256	24,256
Finance charges		787	622	1,363	657	657			2,116	2,116	2,116
Bulk purchases	2	14,809	13,480	12,948	16,550	14,920	–	–	15,070	15,070	15,070
Other materials	8	1,082	1,437	1,437	6,571	5,094			3,296	2,496	2,496
Contracted services		8,572	13,774	10,210	5,882	17,163	–	–	11,414	15,612	14,412
Transfers and subsidies		–	–	–	435	1,379	–	–	290	290	290
Other expenditure	4, 5	58,907	68,736	51,912	41,502	25,801	–	–	19,915	19,960	20,009
Loss on disposal of PPE		1,147	8,831	1,244	–	–			–	–	–
Total Expenditure		**184,133**	**199,772**	**185,842**	**194,823**	**182,540**	–	–	**182,114**	**191,812**	**198,518**
Surplus/(Deficit)		**(43,907)**	**(24,671)**	**(24,504)**	**(40,231)**	**(30,648)**	–	–	**(28,688)**	**(28,517)**	**(25,779)**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		30,399	30,615	26,170	32,358	32,358			42,257	31,848	33,484
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		**(13,508)**	**5,944**	**1,666**	**(7,873)**	**1,710**	–	–	**13,569**	**3,331**	**7,705**
Taxation											
Surplus/(Deficit) after taxation		**(13,508)**	**5,944**	**1,666**	**(7,873)**	**1,710**	–	–	**13,569**	**3,331**	**7,705**
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		**(13,508)**	**5,944**	**1,666**	**(7,873)**	**1,710**	–	–	**13,569**	**3,331**	**7,705**
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		**(13,508)**	**5,944**	**1,666**	**(7,873)**	**1,710**	–	–	**13,569**	**3,331**	**7,705**

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality, but operating grants forms the major funding source.

This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. **Details in this regard are contained below:**

EC136 Emalahleni (Ec) - Supporting Table SA1 Supportinging detail to 'Budgeted Financial Performance'

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
REVENUE ITEMS:											
Property rates	6										
Total Property Rates		3,719	3,744	4,146	5,302	5,302			5,615	5,896	6,191
less Revenue Foregone (exemptions, reductions and rebates and impermissable values in excess of section 17 of MPRA)		–		–	1,000	800			2,000	2,000	2,000
Net Property Rates		3,719	3,744	4,146	4,302	4,502	–	–	3,615	3,896	4,191
Service charges - electricity revenue	6										
Total Service charges - electricity revenue		8,823	8,746	11,023	12,865	11,857			12,670	13,304	13,969
less Revenue Foregone (in excess of 50 kwh per indigent household per month)		–	–	–	–	–					
less Cost of Free Basis Services (50 kwh per indigent household per month)		–	–	–	2,100	2,100			2,100	2,100	2,100
Net Service charges - electricity revenue		8,823	8,746	11,023	10,765	9,757	–	–	10,570	11,204	11,869
Service charges - water revenue	6										
Total Service charges - water revenue											
less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)											
less Cost of Free Basis Services (6 kilolitres per indigent household per month)		–	–	–	–	–			–	–	–
Net Service charges - water revenue		–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue											
Total Service charges - sanitation revenue											
less Revenue Foregone (in excess of free sanitation service to indigent households)											
less Cost of Free Basis Services (free sanitation service to indigent households)		–	–	–	–	–	–		–	–	–
Net Service charges - sanitation revenue		–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	6										
Total refuse removal revenue		2,811	4,515	5,611	5,300	5,564			5,613	5,893	6,188
Total landfill revenue											
less Revenue Foregone (in excess of one removal a week to indigent households)											
less Cost of Free Basis Services (removed once a week to indigent households)		454	1,225	1,834	1,800	1,800			1,800	1,800	1,800
Net Service charges - refuse revenue		2,357	3,290	3,777	3,500	3,764	–	–	3,813	4,093	4,388
Other Revenue by source											
Building plans		20	20	16	23	–			–	–	–
Insurance Income		251	232	139	194	–			–	–	–
Housing Admin Fees			34	14	24	–			–	–	–
Sundry Income		3,540	4,010	655	381	–			–	–	–
Administrative Handling Fees		–	–	–	–	24			26	27	28
Building Plan Approval		–	–	–	–	32			24	26	27
Cemetery and Burial		–	–	–	–	45			39	41	43
Clearance Certificates		–	–	–	–	9			–	–	–
Inspection Fees		–	–	–	–	5			5	6	6
Insurance Refund		–	–	–	–	750			360	378	397
Photocopies and Faxes		–	–	–	–	3			3	3	3

Tariffs for indigent households are set out below:

1	Rates free of charge to the value based on market value of his property to the maximum of R65 000
2	50 kWh free electricity per month
3	Free refuse x 4 removal per month

Operating grants and transfers totals R123 139 million in the 2017/18 financial year and decreases to R122 903 million in 2018/19. Operating grants usually fluctuates upwards or downwards from year-to-year, as the revenue recognition for such grants depends only on compliance with any conditions attached to such grants and it is also dependant on the funding available from the other spheres of Government. The unconditional Equitable Share Grant, however, is a grant growing annually according to a formula determined nationally and such formula is applicable to all local authorities on an equal basis. The contribution for Councillors Allowances also increased significantly for the budget year. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

EC136 Emalahleni (Ec) - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		108,538	142,996	128,929	121,348	121,348	–	121,856	129,846	137,372
Local Government Equitable Share		92,038	116,537	114,599	115,992	115,992		115,774	120,890	129,098
Finance Management		1,800	1,875	2,010	2,345	2,345		2,415	2,880	3,312
Municipal Systems Improvement		934	930							
EPWP Incentive		1,217	1,000	1,415	1,308	1,308		2,022		
Integrated National Electrification Programme		11,000	21,000	9,317					4,400	3,200
Water Affairs			43							
Municipal Infrastructure Grant		1,549	1,611	1,588	1,703	1,703		1,645	1,676	1,762
Provincial Government:		2,570	881	1,127	900	900	–	952	1,005	1,005
LED		96	31							
Rural Development										
Waste Management		1,343								
Library		1,131	850	1,127	900	900		952	1,005	1,005
District Municipality:		1,773	1,312	2,019	1,500	801	–	–	–	–
Greenest Municipality			200	200						
Cleaning Program		202								
Indigent Application Project			112							
Transport				132						
Feedlot					500	801				
IT Support				200						
Paving		1,465	1,000	1,487	1,000					
Revenue Enhancement		106								
Other grant providers:		–	–	–	90	90	–	–	–	–
SETA					90	90				
Total operating expenditure of Transfers and Grants		112,880	145,190	132,075	123,838	123,139	–	122,808	130,851	138,377

Revenue from capital transfers as indicated below is growing steadily from R32 258 in 2018 to R42 576 million over the MTREF period. This is mainly due to the once-off amount of R11 million to be received for the construction of Indwe Stadium.

Capital expenditure of Transfers and Grants									
National Government:	30,142	30,615	23,170	32,358	32,358	–	42,257	31,847	33,484
Municipal Infrastructure Grant (MIG)	30,142	30,615	23,170	32,358	32,358		42,257	31,847	33,484
Provincial Government:	257	–	3,000	–	–	–	–	–	–
Roads			3,000						
Waste Management	257								
District Municipality:	–	–	–	–	–	–	–	–	–
Other grant providers:	–	–	–	–	–	–	95	100	105
SETA							95	100	105
Total capital expenditure of Transfers and Grants	30,399	30,615	26,170	32,358	32,358	–	42,352	31,947	33,589

Total revenue per municipal vote, including capital transfers, is listed below:

EC136 Emalahleni (Ec) - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue by Vote	1									
Vote 1 - Executive and Council		6,092	6,774	6,695	6,675	6,675	–	7,015	7,362	7,711
Vote 2 - Corporate Services		82	91	90	90	90	–	95	100	105
Vote 3 - Budget and Treasury		110,163	122,488	121,063	120,703	119,862	–	119,108	124,839	133,651
Vote 4 - Economic Development Tourism and Agricult		502	558	552	550	806	–	5	6	6
Vote 5 - Community and Social Services		10,330	11,486	11,352	11,319	11,386	–	12,633	13,360	14,067
Vote 6 - Infrastructure and Human Settlement (IDHS)		43,456	64,318	47,756	47,614	45,432	–	56,827	49,477	50,682
Total Revenue by Vote	2	**170,625**	**205,716**	**187,508**	**186,950**	**184,251**	–	**195,683**	**195,143**	**206,222**
Expenditure by Vote *to be appropriated*	1									
Vote 1 - Executive and Council		33,012	32,947	33,319	34,929	34,527	–	33,147	35,290	37,605
Vote 2 - Corporate Services		20,103	20,063	20,289	21,269	20,834	–	16,670	17,586	18,576
Vote 3 - Budget and Treasury		28,960	28,903	29,229	30,641	28,374	–	30,674	31,691	32,788
Vote 4 - Economic Development Tourism and Agricult		6,321	6,308	6,379	6,688	6,811	–	5,949	6,340	6,763
Vote 5 - Community and Social Services		42,046	41,963	42,436	44,487	39,114	–	34,648	36,294	38,071
Vote 6 - Infrastructure and Human Settlement (IDHS)		53,692	69,587	54,190	56,809	52,880	–	61,026	64,611	64,715
Total Expenditure by Vote	2	**184,133**	**199,772**	**185,842**	**194,822**	**182,540**	–	**182,114**	**191,812**	**198,518**
Surplus/(Deficit) for the year	2	**(13,508)**	**5,944**	**1,666**	**(7,872)**	**1,710**	–	**13,569**	**3,331**	**7,705**

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 5.2 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by an external agency, the impact it has on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

The municipality budgets for the non-payment of accounts based on past experience of recovery rates. The municipality applies its Credit Control Policy stringently but there are always situations where there are defaults on payment. The contribution for bad debt is increasing from
R3 million in 2017/18 to R6 million in 2018/19 financial year.
It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0.25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy to a maximum valuation of R65 000;
- The limit for indigent households is twice the amount of government social pensions.

The municipality investigates a tariff structure consistent with operational requirements but also to ensure that the ratepayers are not over-burdened.

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2018/19 financial year based on a general 5.2 per cent increase from 1 July 2018.

PROPOSED TARIFF STRUCTURE FOR 2018/2019 TO 2020/2021

	CPI	6.20%	5.20%	5.50%	5.50%
		17/18	**18/19**	**19/20**	**20/21**
	Ratios	**Excl Vat**	**Excl Vat**	**Excl Vat**	**Excl Vat**
ASSESSMENT RATES					
Residential	1.00	0.0092	0.0068	0.0072	0.0076
Undeveloped land/Vacant land	1.00	0.0092	0.0068	0.0072	0.0076
Business	1.50	0.0138	0.0102	0.0108	0.0113
Government	1.50	0.0138	0.0102	0.0108	0.0113
Agriculture/Farms	0.25	0.0023	0.0017	0.0018	0.0019
Public Service Infrastructure	0.00	0.0000	0.0000	0.0000	0.0000
Public Benefit Organisation	0.25	0.0023	0.0017	0.0018	0.0019
Indigent subsidy will be based on market value of R 80 000 for property rates					

1.4.2 Sale of Electricity and Impact of Tariff Increases

Electricity has been increased by an average of 6.84% in line with NERSA guidelines. These tariffs are subject to approval by NERSA.

Considering the Eskom increases, the consumer tariff had to be increased by 6.84%per cent to offset the additional bulk purchase cost from 1 July 2018. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

ELECTRICITY TARIFFS & CHARGES

Standard interest + 1.00% would be charged on all late payments

Implementation subject to NERSA approval

Tariffs are applicable throughout Emalahleni Municipality unless indicated otherwise

PROPOSED TARIFF STRUCTURE FOR 2018/2019 TO 2020/2021

	Ratios	17/18 Excl Vat	18/19 Excl Vat	19/20 Excl Vat	20/21 Excl Vat
		6.20%	5.20%	5.50%	5.50%
ELECTRICITY - AS PER NERSA CONSULTATION PAPER		1.88%	6.84%	5.50%	5.50%
HOUSE HOLDS					
Indigents Prepaid					
Block 1 - 0 - 50 Kwh		0.90	0.96	1.02	1.07
Block 2 - 51 - 350 Kwh		1.14	1.22	1.28	1.36
Block 3 - 351 - 600 Kwh		1.50	1.61	1.69	1.79
Block 4 - > 600 Kwh		1.78	1.90	2.00	2.11
Domestic Conventional & Prepaids - Single Phase					
Block 1 - 0 - 50 Kwh		0.90	0.96	1.02	1.07
Block 2 - 51 - 350 Kwh		1.14	1.22	1.28	1.36
Block 3 - 351 - 600 Kwh		1.55	1.65	1.74	1.84
Block 4 - > 600 Kwh		1.82	1.95	2.05	2.17
Domestic Conventional & Prepaids - Three Phase					
Block 1 - 0 - 50 Kwh		1.20	1.28	1.35	1.43
Block 2 - 51 - 350 Kwh		1.31	1.40	1.48	1.56
Block 3 - 351 - 600 Kwh		1.59	1.70	1.79	1.89
Block 4 - > 600 Kwh		1.82	1.94	2.05	2.16
COMMERCIAL					
SMALL ≤3 500 Kwh					
CONVENTIONAL SINGLE PHASE					
Basic Charge /month		381.52	401.36	423.44	446.73
Energy charge: kWh		1.46	1.56	1.65	1.74
CONVENTIONAL THREE PHASE					
Basic Charge /month		748.58	787.51	830.82	876.51
Energy charge: kWh		1.40	1.50	1.58	1.67
Prepaid - Single phase		1.88	2.00	2.11	2.23
Prepaid - Three phase		1.91	2.04	2.15	2.27
LARGE > 3 500 Kwh					
Basic Charge /month		753.07	792.23	835.80	881.77
Energy charge: kWh		0.83	0.88	0.93	0.98
Demand: R/kVA		195.72	209.10	220.60	232.74
WATER & SANITATION					
Kva meter - Kwh		1.11	1.18	1.25	1.32
- Kva		123.04	131.46	138.69	146.32
Single & Three Phase		1.40	1.50	1.58	1.67
DEPARTMENTAL/STREET LIGHTNING					
@ COST					
TEMPERING PENALTIES					
1ST OFFENCE		1,650.00	1,850.00	1,951.75	2,059.10
2ND OFFENCE		3,300.00	3,550.00	3,745.25	3,951.25
RE-CONNECTION FEE - TEMPERING		4,108.04	4,350.00	4,589.25	4,837.55
RE-CONNECTION FEE - CREDIT CONTROL					
Domestic		350.00	368.20	388.45	409.80
Business/Commercial		650.00	683.80	721.41	761.10
Government		1,000.00	1,052.00	1,109.86	1,170.90
NEW CONNECTIONS					
Domestic - Single Phase		955.79	1,005.49	1,060.80	1,119.14
Business		1,797.79	1,891.27	1,995.29	2,105.03
Business/Commercial (100 Kva)		5,413.66	5,695.17	6,008.41	6,338.87
Business/Commercial - Three Phase (50 Kva)		13,814.19	14,532.53	15,331.82	16,175.07

Electricity is regarded as a trading account which should make a profit, although NERSA monitors and limits this profit to about 10% if possible. The municipality does not make a profit on electricity and must implement ways of achieving a profit, without overburdening the consumers with exorbitant tariffs.

Electricity line losses should be continuously monitored as it can represent a significant financial loss for the municipality. In general electricity line losses of 10% are being regarded as "acceptable" in the industry and Emalahleni Municipality is well above that norm.

Comparison between current electricity charges and increases

It should further be noted that NERSA has advised that a stepped tariff structure must be used. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The Municipality should comply with this requirement.

1.4.3 Waste Removal and Impact of Tariff Increases

The Municipality should implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main cost drivers for this section are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. In addition, the cost of new landfill sites, the effect of depreciation and rehabilitation on these landfill sites all plays an important role as cost drivers. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation should be incorporated into the next planning cycle.
Higher increases then inflation will not be viable in 2018/19 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 5.2 per cent would not only be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt, but also, although on a small scale, not assisting the national government in reaching the CPIX target of between 3 and 6 percent.

The following table compares current and proposed amounts payable from 1 July 2018.

Comparison between current waste removal fees and increases

PROPOSED TARIFF STRUCTURE FOR 2018/2019 TO 2020/2021

		6.20%	5.20%	5.50%	5.50%
		17/18	18/19	19/20	20/21
	Ratios	Excl Vat	Excl Vat	Excl Vat	Excl Vat
REFUSE REMOVAL			10%	10%	10%
Domestic consumers (once per week)		79.42	87.36	96.10	105.71
Commercial consumers (once per week)		158.82	174.70	192.17	211.38
Commercial consumers (two times or more per week)			501.24	551.36	606.50
Government consumers (once per week)		396.67	436.34	479.97	527.97
Indigents		79.42	87.36	96.10	105.71
Subsidy - 100%		79.42	87.36	96.10	105.71
Effective charge		0.00	0.00	0.00	0.00
Special refuse collection		289.39	304.43	321.18	338.84
Special refuse collection - Government and Commercial		343.89	361.77	381.67	402.66
Collection of garden refuse		289.39	304.43	321.18	338.84
Clearing of Vacant Plots			542.72	572.57	604.06
Tree felling - inside yard per tree		3,268.53	3,438.49	3,627.61	3,827.13
Tree Pruning - Inside Yard (per tree)			1,813.81	1,913.57	2,018.81
Building rubble - per load		334.60	352.00	371.36	391.79
Disposal of General Waste at Landfill Site			321.17	338.84	357.47
Disposal of Condemned Waste (per m³) plus special collection fee/Disposal fee			186.74	197.01	207.84
Grass Cutting - inside the yard - Residential			542.72	572.57	604.06
Grass Cutting - inside the yard - Governament and Commercial			868.36	916.12	966.51

1.4.4 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on different households. The National Treasury adjusted the way comparatives are being calculated and for that reason current tariffs are unfortunately not included.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to about 7.6%, excluding the electricity adjustments.

EC136 Emalahleni (Ec) - Supporting Table SA14 Household bills

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework			
Rand/cent		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19 % incr.	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		433.83	468.08	496.17	524.95		524.95	5.2%	552.48	582.86	614.92
Electricity: Basic levy											
Electricity: Consumption		1,251.00	1,370.00	1,474.92	1,502.67		1,502.67	6.8%	1,605.20	1,693.50	1,786.80
Water: Basic levy									–	–	–
Water: Consumption											
Sanitation											
Refuse removal		66.30	70.55	74.78	79.42		79.42	10.0%	87.36	96.10	105.71
Other											
sub-total		1,751.13	1,908.63	2,045.87	2,107.03	–	2,107.03	6.5%	2,245.04	2,372.46	2,507.43
VAT on Services											
Total large household bill:		1,751.13	1,908.63	2,045.87	2,107.03	–	2,107.03	6.5%	2,245.04	2,372.46	2,507.43
% increase/-decrease			9.0%	7.2%	3.0%	(100.0%)	–		6.5%	5.7%	5.7%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		307.17	331.42	351.30	371.68		371.68	5.2%	391.17	412.68	435.38
Electricity: Basic levy											
Electricity: Consumption		183.00	211.50	227.84	232.13		232.13	6.8%	247.95	261.60	276.00
Water: Basic levy									–	–	–
Water: Consumption									–	–	–
Sanitation									–	–	–
Refuse removal		66.30	70.55	74.78	79.42		79.42	10.0%	87.36	96.10	105.71
Other											
sub-total		556.47	613.47	653.92	683.22	–	683.22	6.3%	726.48	770.38	817.09
VAT on Services											
Total small household bill:		556.47	613.47	653.92	683.22	–	683.22	6.3%	726.48	770.38	817.09
% increase/-decrease			10.2%	6.6%	4.5%	(100.0%)	–		6.3%	6.0%	6.1%
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates		139.33	150.33	159.35	168.60		168.60	5.2%	177.44	187.20	197.49
Electricity: Basic levy											
Electricity: Consumption		321.00	312.00	335.67	342.00		342.00	6.8%	365.40	385.50	406.80
Water: Basic levy				–	–				–	–	–
Water: Consumption				–	–				–	–	–
Sanitation											
Refuse removal		66.30	70.55	74.78	79.42		79.42	10.0%	87.36	96.10	105.71
Other											
sub-total		526.63	532.88	569.81	590.02	–	590.02	6.8%	630.20	668.79	710.00
VAT on Services											
Total small household bill:		526.63	532.88	569.81	590.02	–	590.02	6.8%	630.20	668.79	710.00
% increase/-decrease			1.2%	6.9%	3.5%	(100.0%)	–		6.8%	6.1%	6.2%

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2018/19 budget and MTREF is informed by the following:

- Guidance provided by National Treasury in Circulars 58, 59, 66, 71, 72, 74, 75, 78, 80, 85 and 86;89
- Balanced budget constraint (operating expenditure should not exceed operating

Revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
Operational gains and efficiencies will be directed to funding the capital budget and other core services; and

- Limitation on tariff increases.

The following table is a high-level summary of the 2018/19 budget and MTREF (classified per main type of operating expenditure):

EC136 Emalahleni (Ec) - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	3,719	3,744	4,146	4,302	4,502	–	–	3,615	3,896	4,191
Service charges - electricity revenue	2	8,823	8,746	11,023	10,765	9,757	–	–	10,570	11,204	11,869
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	2,357	3,290	3,777	3,500	3,764	–	–	3,813	4,093	4,388
Service charges - other											
Rental of facilities and equipment		721	771	727	815	906			973	1,022	1,073
Interest earned - external investments		3,350	3,846	2,313	2,538	1,081			2,045	2,148	2,255
Interest earned - outstanding debtors		3,930	4,633	4,709	5,216	5,091			5,386	5,655	5,938
Dividends received											
Fines, penalties and forfeits		108	82	116	337	99			110	115	121
Licences and permits		462	444	1,073	1,700	1,690			2,145	2,252	2,364
Agency services		66	59	67	958	858			1,313	1,379	1,447
Transfers and subsidies		112,881	145,190	132,075	123,838	123,139			122,903	130,951	138,482
Other revenue	2	3,811	4,296	823	622	890	–	–	554	581	610
Gains on disposal of PPE		–	–	490	–	115			–	–	–
Total Revenue (excluding capital transfers and contributions)		**140,226**	**175,101**	**161,338**	**154,592**	**151,893**	**–**	**–**	**153,426**	**163,295**	**172,739**
Expenditure By Type											
Employee related costs	2	42,913	55,775	67,572	78,926	76,292	–	–	86,055	91,213	97,886
Remuneration of councillors		10,104	10,885	11,185	12,071	12,688			13,703	14,799	15,983
Debt impairment	3	13,567	4,398	7,406	7,500	3,000			6,000	6,000	6,000
Depreciation & asset impairment	2	32,245	21,832	20,564	24,729	25,546	–	–	24,256	24,256	24,256
Finance charges		787	622	1,363	657	657			2,116	2,116	2,116
Bulk purchases	2	14,809	13,480	12,948	16,550	14,920	–	–	15,070	15,070	15,070
Other materials	8	1,082	1,437	1,437	6,571	5,094			3,296	2,496	2,496
Contracted services		8,572	13,774	10,210	5,882	17,163	–	–	11,414	15,612	14,412
Transfers and subsidies		–	–	–	435	1,379	–	–	290	290	290
Other expenditure	4, 5	58,907	68,736	51,912	41,502	25,801	–	–	19,915	19,960	20,009
Loss on disposal of PPE		1,147	8,831	1,244	–	–			–	–	–
Total Expenditure		**184,133**	**199,772**	**185,842**	**194,823**	**182,540**	**–**	**–**	**182,114**	**191,812**	**198,518**
Surplus/(Deficit)		**(43,907)**	**(24,671)**	**(24,504)**	**(40,231)**	**(30,648)**	**–**	**–**	**(28,688)**	**(28,517)**	**(25,779)**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		30,399	30,615	26,170	32,358	32,358			42,257	31,848	33,484
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		**(13,508)**	**5,944**	**1,666**	**(7,873)**	**1,710**	**–**	**–**	**13,569**	**3,331**	**7,705**
Taxation											
Surplus/(Deficit) after taxation		**(13,508)**	**5,944**	**1,666**	**(7,873)**	**1,710**	**–**	**–**	**13,569**	**3,331**	**7,705**
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		**(13,508)**	**5,944**	**1,666**	**(7,873)**	**1,710**	**–**	**–**	**13,569**	**3,331**	**7,705**
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		**(13,508)**	**5,944**	**1,666**	**(7,873)**	**1,710**	**–**	**–**	**13,569**	**3,331**	**7,705**

The budgeted allocation for employee related costs for the 2017/18 financial year totals R86 055 million, which equals 47,2 per cent of the total operating expenditure. This percentage increases to 47,5 and 49,3 per cent in the outer years of the MTREF period. Should electricity bulk purchases and depreciation be excluded, in order to compare it with other municipalities on a more equal basis, the costs represent 60 per cent of the expenditure and changes to 59 and 61 per cent in the outer years. Based on the guidance provided by National Treasury in Circular 86 and in the absence on a new collective agreement on increases, salary increases have been factored into this budget at a percentage increase of 9 per cent (including the notch increases of 2.5 %) for the 2018/19 financial year. An annual increase of 9 per cent has been included in the two outer years of the MTREF.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been considered in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 50 per cent and the Debt Write-off Policy of the Municipality. For the 2018/19 financial year, this amount equates to R3 million and escalates to R6 million by 2020/21.While this expenditure is a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R24 256 million for the 2018/19 financial and equates to 13.32 per cent of the total operating expenditure. In order to measure it against other municipalities, if electricity bulk purchases are eliminated, it represents 14.5 per cent of the expenditure. The average for local municipalities in recent research is 13,76 per cent, and this small difference indicating that expected useful lives and depreciation rates are realistic.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses. Electricity bulk purchases represent 8.3 per cent of expenditure and decrease to 7.9 per cent and 7.6 per cent in the outer years. If depreciation is excluded, the percentage is 9.6 per cent for the budget year.

National Treasury is introducing a new Chart of Accounts and additional expenditure line-items in the budget. One of these line-items is "Other materials". Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. This group of expenditure has been identified in order to measure sustainability of the Municipality's infrastructure. The municipality's financial systems are, however, not yet ready to implement this change and will be addressed in future budgets.

Main operational expenditure categories for the 2018/19 financial year

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2018/19 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset management policy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, National Treasury requires municipalities to adapt their costing systems to reflect these costs as Repairs and Maintenance. The municipality financial systems, as yet, cannot provide for this request and it will be implemented in future budgets.

During the compilation of the 2018/19 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, the municipality identified this, together with other strategic items, as priority to be investigated and changes to be incorporated into the next budget, if not already to the 2018/2019 Adjustments Budget. The table below provides a breakdown of the repairs and maintenance in relation to asset class:

EC136 Emalahleni (Ec) - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		2,661	3,534	2,982	4,235	3,018	–	2,743	2,845	2,955
Roads Infrastructure		1,257	1,669	1,408	2,000	999	–	900	900	900
Roads					–	–		–	–	–
Road Structures		1,131	1,502	1,267	1,800	899	–	900	900	900
Road Furniture		126	167	141	200	100		–	–	–
Capital Spares					–	–		–	–	–
Storm water Infrastructure		845	1,122	947	1,345	1,329	–	1,413	1,515	1,625
Drainage Collection					–	–		–	–	–
Storm water Conveyance		845	1,122	947	1,345	1,329	–	1,413	1,515	1,625
Attenuation					–	–		–	–	–
Electrical Infrastructure		559	743	627	890	690	–	430	430	430
Power Plants					–	–		–	–	–
HV Substations					–	–		–	–	–
HV Switching Station					–	–		–	–	–
HV Transmission Conductors					–	–		–	–	–
MV Substations		83	110	93	132	162		75	75	75
MV Switching Stations			–	–	–	–		–	–	–
MV Networks		194	257	217	308	278		175	175	175
LV Networks		283	376	317	450	250		180	180	180
Capital Spares					–	–		–	–	–
Community Assets		631	838	707	1,004	682	–	580	580	580
Community Facilities		556	738	622	884	642	–	520	520	520
Halls		277	367	310	440	350		150	150	150
Centres					–	–		–	–	–
Crèches					–	–		–	–	–
Clinics/Care Centres					–	–		–	–	–
Fire/Ambulance Stations					–	–		–	–	–
Testing Stations					–	–		–	–	–
Museums					–	–		–	–	–
Galleries					–	–		–	–	–
Theatres					–	–		–	–	–
Libraries					–	–		–	–	–
Cemeteries/Crematoria		132	175	148	210	100		150	150	150
Police					–	–		–	–	–
Parks					–	–		–	–	–
Public Open Space		147	195	165	234	192		220	220	220
Nature Reserves					–	–		–	–	–
Public Ablution Facilities					–	–		–	–	–
Markets					–	–		–	–	–
Stalls					–	–		–	–	–
Abattoirs					–	–		–	–	–
Airports					–	–		–	–	–
Taxi Ranks/Bus Terminals					–	–		–	–	–
Capital Spares					–	–		–	–	–
Sport and Recreation Facilities		75	100	84	120	40	–	60	60	60
Indoor Facilities					–	–		–	–	–
Outdoor Facilities		75	100	84	120	40		60	60	60
Capital Spares					–	–		–	–	–
Other assets		251	334	282	400	700	–	300	300	300
Operational Buildings		251	334	282	400	700	–	300	300	300
Municipal Offices		251	334	282	400	700	–	300	300	300
Pay/Enquiry Points					–	–		–	–	–
Building Plan Offices					–	–		–	–	–
Workshops					–	–		–	–	–
Yards					–	–		–	–	–
Stores					–	–		–	–	–
Laboratories					–	–		–	–	–
Training Centres					–	–		–	–	–
Manufacturing Plant					–	–		–	–	–
Depots					–	–		–	–	–
Capital Spares					–	–		–	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Biological or Cultivated Assets					–	–		–	–	–
Intangible Assets		157	209	176	250	90	–	130	130	130
Servitudes					–	–		–	–	–
Licences and Rights		157	209	176	250	90	–	130	130	130
Water Rights					–	–		–	–	–
Effluent Licenses					–	–		–	–	–
Solid Waste Licenses					–	–		–	–	–
Computer Software and Applications		157	209	176	250	90		130	130	130
Load Settlement Software Applications					–	–		–	–	–
Unspecified					–	–		–	–	–
Computer Equipment		–	–	–	–	–	–	–	–	–
Computer Equipment					–	–		–	–	–
Furniture and Office Equipment		–	–	–	–	–	–	–	–	–
Furniture and Office Equipment		–	–	–	–	–		–	–	–
Machinery and Equipment		402	534	451	640	470	–	426	426	426
Machinery and Equipment		402	534	451	640	470		426	426	426
Transport Assets		881	1,170	987	1,402	1,350	–	1,010	1,010	1,010
Transport Assets		881	1,170	987	1,402	1,350		1,010	1,010	1,010
Libraries		–	–	–	–	–	–	–	–	–
Libraries					–	–		–	–	–
Zoo's, Marine and Non-biological Animals		302	401	338	480	–	–	80	80	80
Zoo's, Marine and Non-biological Animals		302	401	338	480	–		80	80	80
Total Repairs and Maintenance Expenditure	1	5,286	7,020	5,923	8,411	6,310	–	5,269	5,371	5,481

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register all indigent households during the 2018/19 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained below.

The cost of the social package of the registered indigent households is financed by the municipality self and largely by utilising the municipality's unconditional equitable share, allocated in terms of the Constitution to local government, and received in terms of the annual Division of Revenue Act. The Transfer of grants because of free basic services totals R1.8 million for all the three years in the MTREF.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

EC136 Emalahleni (Ec) - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital expenditure - Vote											
Multi-year expenditure *to be appropriated*	2										
Vote 1 - Executive and Council		–	–	–	4,000	4,000	–	–	–	–	–
Vote 2 - Corporate Services		8,458	6,405	4,836	–	–	–	–	15,000	–	–
Vote 3 - Budget and Treasury		–	–	–	–	–	–	–	–	–	–
Vote 4 - Economic Development Tourism and Agriculture (E		–	–	–	1,569	1,169	–	–	–	–	–
Vote 5 - Community and Social Services		17,654	6,912	2,722	600	600	–	–	11,670	14,718	10,000
Vote 6 - Infrastructure and Human Settlement (IDHS)		6,520	24,818	22,496	–	–	–		–	17,130	16,809
Capital multi-year expenditure sub-total	7	32,632	38,135	30,055	6,169	5,769	–	–	26,670	31,848	26,809
Single-year expenditure *to be appropriated*	2										
Vote 1 - Executive and Council		–	–	–	100	–	–	–	–	–	–
Vote 2 - Corporate Services		1,588	2,719	1,418	1,550	2,180	–	–	–	–	–
Vote 3 - Budget and Treasury		502	971	696	–	–	–	–	–	–	–
Vote 4 - Economic Development Tourism and Agriculture (E		–	–	–	280	240	–	–	–	–	–
Vote 5 - Community and Social Services		–	–	2,342	3,679	2,009	–	–	27,279	–	–
Vote 6 - Infrastructure and Human Settlement (IDHS)		3,803	7,072	2,088	28,581	29,706			3,533	–	6,674
Capital single-year expenditure sub-total		5,894	10,761	6,544	34,190	34,135	–	–	30,812	–	6,674
Total Capital Expenditure - Vote		38,526	48,896	36,598	40,359	39,904	–	–	57,482	31,848	33,483
Capital Expenditure - Functional											
Governance and administration		10,548	10,094	6,950	5,650	6,180	–	–	15,000	–	–
Executive and council					4,100	4,000					
Finance and administration		10,548	10,094	6,950	1,550	2,180			15,000	–	–
Internal audit											
Community and public safety		17,654	6,912	5,064	3,258	2,609	–	–	38,149	11,918	11,674
Community and social services		12,690	5,160	5,064	2,958	2,309			19,170	8,918	11,674
Sport and recreation		4,964	1,752	–	300	300			18,979	3,000	–
Public safety											
Housing											
Health											
Economic and environmental services		10,324	31,890	21,875	18,925	19,244	–	–	2,733	17,130	16,809
Planning and development					1,850	1,409					
Road transport		10,324	31,890	21,875	17,075	17,835			2,733	17,130	16,809
Environmental protection											
Trading services		–	–	2,709	12,526	11,871	–	–	1,600	2,800	5,000
Energy sources		–	–	2,709	9,664	9,889			–	–	5,000
Water management											
Waste water management					1,842	1,982					
Waste management					1,020	–			1,600	2,800	–
Other											
Total Capital Expenditure - Functional	3	38,526	48,896	36,598	40,359	39,904	–	–	57,482	31,848	33,483
Funded by:											
National Government		30,399	30,615	26,170	32,358	32,358			42,257	31,848	33,483
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	30,399	30,615	26,170	32,358	32,358	–	–	42,257	31,848	33,483
Public contributions & donations	5										
Borrowing	6				8,000	7,545			15,000		
Internally generated funds		8,127	18,281	10,428					225		
Total Capital Funding	7	38,526	48,896	36,598	40,358	39,903	–	–	57,482	31,848	33,483

The following table provides more information on the breakdown of the capital budget and the related maintenance of assets.

EC136 Emalahleni (Ec) - Supporting Table SA34a Capital expenditure on new assets by asset class

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure		6,520	24,818	22,496	16,567	15,793	–	225	2,800	–
Roads Infrastructure		6,520	19,506	19,369	8,962	8,963	–	–	–	–
Roads										
Road Structures		6,520	19,506	19,369	8,962	8,963				
Road Furniture										
Capital Spares										
Storm water Infrastructure		–	5,312	417	996	996	–	–	–	–
Drainage Collection										
Storm water Conveyance			5,312	417	996	996				
Attenuation										
Electrical Infrastructure		–	–	2,709	5,609	5,834	–	225	–	–
LV Networks				2,709	5,609	5,609				
Capital Spares						225		225		
Solid Waste Infrastructure		–	–	–	1,000		–	–	2,800	–
Landfill Sites					1,000	–			2,800	
Waste Transfer Stations										
Waste Processing Facilities										
Waste Drop-off Points										
Waste Separation Facilities										
Electricity Generation Facilities										
Capital Spares										
Community Assets		17,654	6,912	5,064	2,359	2,359	–	36,949	11,918	11,674
Community Facilities		12,690	5,160	5,064	2,059	2,059	–	17,970	8,918	11,674
Halls		10,165	4,248	160						
Centres				978				10,470		10,000
Crèches										
Clinics/Care Centres										
Fire/Ambulance Stations										
Testing Stations								7,500		
Museums										
Galleries										
Theatres										
Libraries										
Cemeteries/Crematoria		2,483	539	82						1,674
Police										
Parks		42	373	3,844					8,918	
Public Open Space					2,059	2,059				
Sport and Recreation Facilities		4,964	1,752	–	300	300	–	18,979	3,000	–
Indoor Facilities										
Outdoor Facilities		4,964	1,752		300	300		18,979	3,000	
Capital Spares										
Other assets		8,458	6,405	4,836	4,000	4,000	–	15,000	–	–
Operational Buildings		8,458	6,405	4,836	4,000	4,000	–	15,000	–	–
Municipal Offices		8,458	6,405	4,836	4,000	4,000		15,000		
Biological or Cultivated Assets		–	–	–	–	–	–	800	–	–
Biological or Cultivated Assets								800		
Intangible Assets		70	–	–	–	–	–	–	–	–
Servitudes										
Licences and Rights		70	–	–	–	–	–	–	–	–
Water Rights										
Effluent Licenses										
Solid Waste Licenses										
Computer Software and Applications		70								
Load Settlement Software Applications										
Unspecified										
Computer Equipment		432	971	696	700	700	–	–	–	–
Computer Equipment		432	971	696	700	700				
Furniture and Office Equipment		1,588	2,719	1,418	350	175	–	–	–	–
Furniture and Office Equipment		1,588	2,719	1,418	350	175				
Machinery and Equipment		3	140	529	720	–	–	–	–	–
Machinery and Equipment		3	140	529	720	–				
Transport Assets		3,800	6,932	1,560	1,030	1,545	–	–	–	–
Transport Assets		3,800	6,932	1,560	1,030	1,545				
Libraries		–	–	–	–	–	–	–	–	–
Libraries										
Zoo's, Marine and Non-biological Animals		–	–	–	1,569	1,169	–	–	–	–
Zoo's, Marine and Non-biological Animals					1,569	1,169				
Total Capital Expenditure on new assets	1	38,527	48,896	36,598	27,295	25,741	–	52,974	14,718	11,674

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 6 MBRR SA35. This table shows that future operational costs associated with the capital programme totals R57 482 million in 2018/19 and R31 848 million in 2019/20. This concomitant operational expenditure is expected to escalate to R33.483 million by 2020/21. It needs to be noted that as part of the 2018/19 MTREF, this expenditure has been factored into the two outer years of the operational budget.

EC136 Emalahleni (Ec) - Supporting Table SA35 Future financial implications of the capital budget

Vote Description	Ref	2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital expenditure	1			
Vote 1 - Executive and Council		–	–	–
Vote 2 - Corporate Services		15,000	–	–
Vote 3 - Budget and Treasury		–	–	–
Vote 4 - Economic Development Tourism and Agriculture (EDTA)		–	–	–
Vote 5 - Community and Social Services		38,949	14,718	10,000
Vote 6 - Infrastructure and Human Settlement (IDHS)		3,533	17,130	23,483
Total Capital Expenditure		57,482	31,848	33,483
Future operational costs by vote	2			
Vote 1 - Executive and Council				
Vote 2 - Corporate Services				
Vote 3 - Budget and Treasury				
Vote 4 - Economic Development Tourism and Agriculture (EDTA)				
Vote 5 - Community and Social Services				
Vote 6 - Infrastructure and Human Settlement (IDHS)				
List entity summary if applicable				
Total future operational costs		–	–	–
Future revenue by source	3			
Property rates				
Service charges - electricity revenue				
Service charges - water revenue				
Service charges - sanitation revenue				
Service charges - refuse revenue				
Service charges - other				
Rental of facilities and equipment				
List other revenues sources if applicable				
List entity summary if applicable				
Total future revenue		–	–	–
Net Financial Implications		57,482	31,848	33,483

1.7 Annual Budget Tables

(The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2018/19 budget and MTREF to be approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.)

EC136 Emalahleni (Ec) - Table A1 Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Financial Performance										
Property rates	3,719	3,744	4,146	4,302	4,502	–	–	3,615	3,896	4,191
Service charges	11,180	12,036	14,799	14,265	13,522	–	–	14,383	15,297	16,257
Investment revenue	3,350	3,846	2,313	2,538	1,081	–	–	2,045	2,148	2,255
Transfers recognised - operational	112,881	145,190	132,075	123,838	123,139	–	–	122,903	130,951	138,482
Other own revenue	9,097	10,285	8,004	9,649	9,649	–	–	10,479	11,003	11,553
Total Revenue (excluding capital transfers and contributions)	140,226	175,101	161,338	154,592	151,893	–	–	153,426	163,295	172,739
Employee costs	42,913	55,775	67,572	78,926	76,292	–	–	86,055	91,213	97,886
Remuneration of councillors	10,104	10,885	11,185	12,071	12,688	–	–	13,703	14,799	15,983
Depreciation & asset impairment	32,245	21,832	20,564	24,729	25,546	–	–	24,256	24,256	24,256
Finance charges	787	622	1,363	657	657	–	–	2,116	2,116	2,116
Materials and bulk purchases	15,892	14,918	14,386	23,121	20,014	–	–	18,366	17,566	17,566
Transfers and grants	–	–	–	435	1,379	–	–	290	290	290
Other expenditure	82,193	95,740	70,773	54,884	45,964	–	–	37,329	41,572	40,421
Total Expenditure	184,133	199,772	185,842	194,823	182,540	–	–	182,114	191,812	198,518
Surplus/(Deficit)	(43,907)	(24,671)	(24,504)	(40,231)	(30,648)	–	–	(28,688)	(28,517)	(25,779)
Transfers and subsidies - capital (monetary alloc	30,399	30,615	26,170	32,358	32,358	–	–	42,257	31,848	33,484
Contributions recognised - capital & contributed a	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(13,508)	5,944	1,666	(7,873)	1,710	–	–	13,569	3,331	7,705
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(13,508)	5,944	1,666	(7,873)	1,710	–	–	13,569	3,331	7,705
Capital expenditure & funds sources										
Capital expenditure	38,526	48,896	36,598	40,359	39,904	–	–	57,482	31,848	33,483
Transfers recognised - capital	30,399	30,615	26,170	32,358	32,358	–	–	42,257	31,848	33,483
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	8,000	7,545	–	–	15,000	–	–
Internally generated funds	8,127	18,281	10,428	–	–	–	–	225	–	–
Total sources of capital funds	38,526	48,896	36,598	40,358	39,903	–	–	57,482	31,848	33,483
Financial position										
Total current assets	56,580	47,277	33,707	18,978	36,732	–	–	40,525	36,853	39,277
Total non current assets	395,298	401,605	416,678	441,271	430,831	–	–	448,004	454,784	463,199
Total current liabilities	39,467	41,420	41,379	47,212	48,956	–	–	50,022	49,402	52,253
Total non current liabilities	6,241	6,828	6,878	16,493	14,973	–	–	21,304	21,701	21,984
Community wealth/Equity	406,170	400,462	402,128	396,544	403,634	–	–	417,203	420,534	428,239
Cash flows										
Net cash from (used) operating	18,153	45,168	21,912	15,178	33,251	–	–	33,807	22,934	31,726
Net cash from (used) investing	(37,085)	(48,229)	(36,844)	(40,358)	(37,363)	–	–	(50,982)	(29,848)	(31,483)
Net cash from (used) financing	(414)	(296)	(353)	8,000	7,250	–	–	14,059	(1,035)	(1,139)
Cash/cash equivalents at the year end	31,776	28,419	13,134	1,073	16,272	–	–	13,154	5,205	4,309
Cash backing/surplus reconciliation										
Cash and investments available	31,776	28,419	13,134	1,072	16,270	–	–	13,154	5,205	4,309
Application of cash and investments	6,686	12,868	8,671	18,055	12,083	–	–	10,495	6,592	6,672
Balance - surplus (shortfall)	25,091	15,551	4,462	(16,983)	4,187	–	–	2,659	(1,387)	(2,363)
Asset management										
Asset register summary (WDV)	395,298	401,605	416,678	441,272	430,832	–		464,057	465,731	480,876
Depreciation	32,245	21,832	20,564	24,729	25,546	–		24,256	24,256	24,256
Renewal of Existing Assets	–	–	–	4,305	4,305	–		4,508	17,130	21,809
Repairs and Maintenance	5,286	7,020	5,923	8,411	6,310	–		5,269	5,371	5,481
Free services										
Cost of Free Basic Services provided	454	1,225	1,834	3,900	3,900	–	3,900	3,900	3,900	3,900
Revenue cost of free services provided	–	–	–	1,000	800	–	2,000	2,000	2,000	2,000
Households below minimum service level										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	29	29	29	29	29	29	29	29	29	29

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
    a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
    b. Capital expenditure is balanced by capital funding sources, of which
        i. Transfers recognised is reflected on the Financial Performance Budget;
        ii. There is no provision for any borrowing in the cash flows;
        iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was paying much attention to managing this aspect of its finances, and consequently all of its obligations are cash-backed.
5. Significant assistance is being given to the indigent households.

EC136 Emalahleni (Ec) - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue - Functional										
Governance and administration		116,337	145,353	127,848	127,468	126,627	–	126,218	132,301	141,467
Executive and council		6,092	6,774	6,695	6,675	6,675	–	7,015	7,362	7,711
Finance and administration		110,245	138,579	121,153	120,793	119,952	–	119,203	124,939	133,756
Internal audit		–	–	–	–	–	–	–	–	–
Community and public safety		1,476	1,641	1,622	1,617	1,927	–	1,194	1,259	1,272
Community and social services		1,433	1,593	1,575	1,570	1,833	–	1,084	1,144	1,151
Sport and recreation		21	23	23	23	69	–	84	88	93
Public safety		–	–	–	–	–	–	–	–	–
Housing		22	25	24	24	24	–	26	27	28
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		34,097	37,912	37,471	37,359	36,426	–	47,017	34,671	36,451
Planning and development		33,224	36,942	36,512	36,403	35,402	–	45,951	33,552	35,275
Road transport		873	970	959	956	1,023	–	1,066	1,119	1,175
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		16,142	17,948	17,739	17,687	16,770	–	17,840	23,328	23,269
Energy sources		10,210	11,352	11,220	11,187	10,005	–	10,851	15,898	15,378
Water management		–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–
Waste management		5,932	6,596	6,519	6,500	6,764	–	6,990	7,429	7,891
Other	4	2,573	2,861	2,828	2,819	2,501	–	3,413	3,584	3,763
Total Revenue - Functional	2	170,625	205,716	187,508	186,950	184,251	–	195,683	195,143	206,222
Expenditure - Functional										
Governance and administration		90,178	106,000	91,015	95,412	92,221	–	89,149	93,541	98,285
Executive and council		30,792	30,732	31,078	32,580	32,138	–	30,468	32,433	34,555
Finance and administration		57,575	73,462	58,109	60,917	58,112	–	56,431	58,713	61,177
Internal audit		1,810	1,807	1,827	1,916	1,972	–	2,250	2,396	2,553
Community and public safety		19,768	19,729	19,952	20,916	19,774	–	12,549	13,282	14,073
Community and social services		12,370	12,346	12,485	13,088	12,549	–	7,723	8,192	8,698
Sport and recreation		4,761	4,751	4,805	5,037	4,635	–	2,300	2,378	2,462
Public safety		–	–	–	–	–	–	–	–	–
Housing		2,638	2,632	2,662	2,791	2,590	–	2,526	2,712	2,912
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		36,156	36,085	36,492	38,255	36,068	–	44,144	43,295	44,561
Planning and development		28,023	27,968	28,283	29,650	30,235	–	37,762	38,750	39,818
Road transport		8,133	8,117	8,209	8,605	5,833	–	6,383	4,545	4,743
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		35,064	34,995	35,389	37,099	31,751	–	33,206	38,437	38,136
Energy sources		20,449	20,409	20,639	21,636	19,180	–	19,893	24,497	23,517
Water management		–	–	–	–	–	–	–	–	–
Waste water management		1,271	1,268	1,283	1,345	1,329	–	1,413	1,515	1,625
Waste management		13,344	13,317	13,467	14,118	11,242	–	11,900	12,426	12,994
Other	4	2,967	2,962	2,995	3,140	2,726	–	3,066	3,257	3,463
Total Expenditure - Functional	3	184,133	199,772	185,842	194,822	182,540	–	182,114	191,812	198,518
Surplus/(Deficit) for the year		(13,508)	5,944	1,666	(7,872)	1,710	–	13,569	3,331	7,705

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the not the case for any of the trading services. As already noted above, the municipality will be undertaking a detailed study of these functions to explore ways of improving efficiencies and provide a basis for re-evaluating these functions' tariff structures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

EC136 Emalahleni (Ec) - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue by Vote	1									
Vote 1 - Executive and Council		6,092	6,774	6,695	6,675	6,675	–	7,015	7,362	7,711
Vote 2 - Corporate Services		82	91	90	90	90	–	95	100	105
Vote 3 - Budget and Treasury		110,163	122,488	121,063	120,703	119,862	–	119,108	124,839	133,651
Vote 4 - Economic Development Tourism and Agricult		502	558	552	550	806	–	5	6	6
Vote 5 - Community and Social Services		10,330	11,486	11,352	11,319	11,386	–	12,633	13,360	14,067
Vote 6 - Infrastructure and Human Settlement (IDHS)		43,456	64,318	47,756	47,614	45,432	–	56,827	49,477	50,682
Total Revenue by Vote	2	170,625	205,716	187,508	186,950	184,251	–	195,683	195,143	206,222
Expenditure by Vote *to be appropriated*	1									
Vote 1 - Executive and Council		33,012	32,947	33,319	34,929	34,527	–	33,147	35,290	37,605
Vote 2 - Corporate Services		20,103	20,063	20,289	21,269	20,834	–	16,670	17,586	18,576
Vote 3 - Budget and Treasury		28,960	28,903	29,229	30,641	28,374	–	30,674	31,691	32,788
Vote 4 - Economic Development Tourism and Agricult		6,321	6,308	6,379	6,688	6,811	–	5,949	6,340	6,763
Vote 5 - Community and Social Services		42,046	41,963	42,436	44,487	39,114	–	34,648	36,294	38,071
Vote 6 - Infrastructure and Human Settlement (IDHS)		53,692	69,587	54,190	56,809	52,880	–	61,026	64,611	64,715
Total Expenditure by Vote	2	184,133	199,772	185,842	194,822	182,540	–	182,114	191,812	198,518
Surplus/(Deficit) for the year	2	(13,508)	5,944	1,666	(7,872)	1,710	–	13,569	3,331	7,705

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.
2. This table is the main driver of management- responsibility and performance in terms of the operating budget and also the benchmark against which any unauthorised expenditure will be measured.

EC136 Emalahleni (Ec) - Table A4 Budgeted Financial Performance (revenue and expenditure)

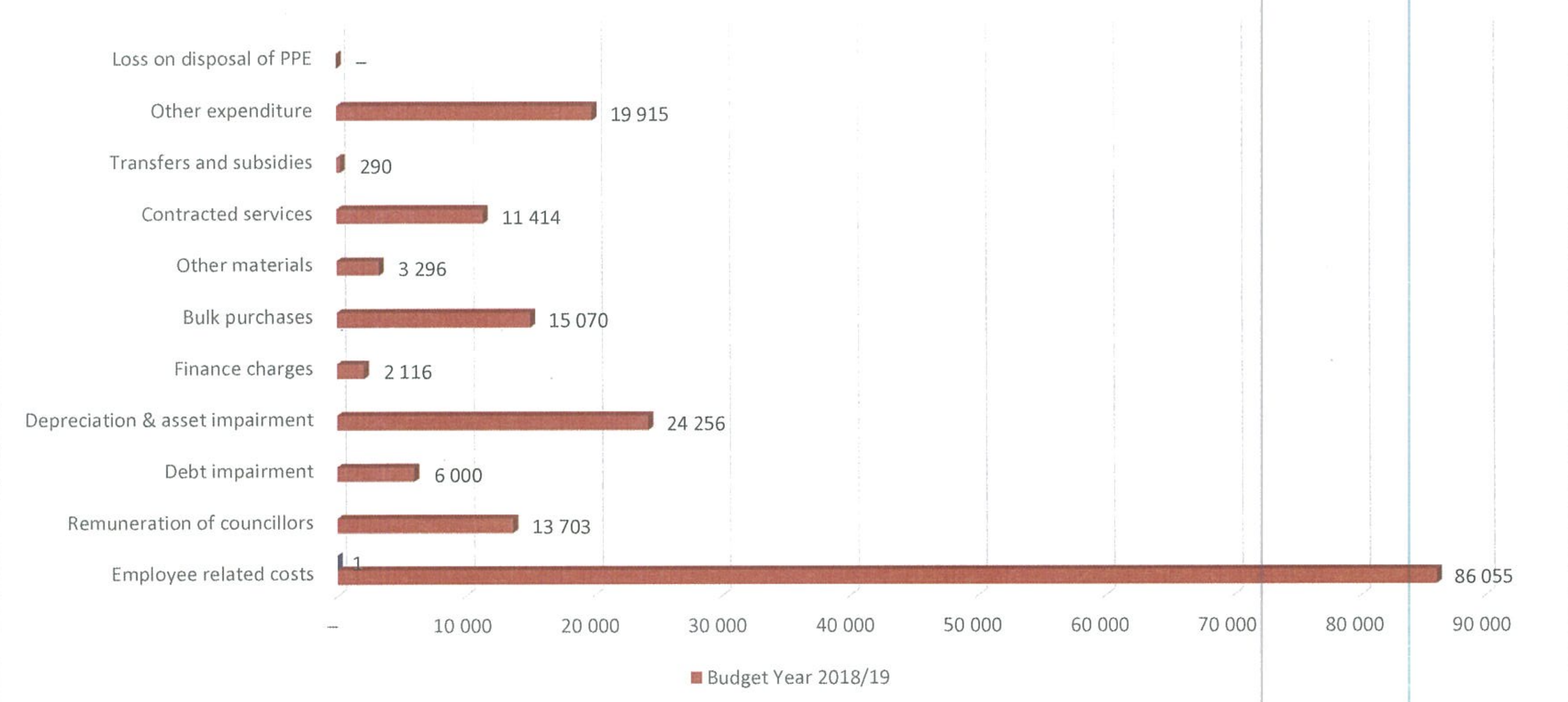
Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	3,719	3,744	4,146	4,302	4,502	–	–	3,615	3,896	4,191
Service charges - electricity revenue	2	8,823	8,746	11,023	10,765	9,757	–	–	10,570	11,204	11,869
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	2,357	3,290	3,777	3,500	3,764	–	–	3,813	4,093	4,388
Service charges - other											
Rental of facilities and equipment		721	771	727	815	906			973	1,022	1,073
Interest earned - external investments		3,350	3,846	2,313	2,538	1,081			2,045	2,148	2,255
Interest earned - outstanding debtors		3,930	4,633	4,709	5,216	5,091			5,386	5,655	5,938
Dividends received											
Fines, penalties and forfeits		108	82	116	337	99			110	115	121
Licences and permits		462	444	1,073	1,700	1,690			2,145	2,252	2,364
Agency services		66	59	67	958	858			1,313	1,379	1,447
Transfers and subsidies		112,881	145,190	132,075	123,838	123,139			122,903	130,951	138,482
Other revenue	2	3,811	4,296	823	622	890	–	–	554	581	610
Gains on disposal of PPE		–	–	490	–	115			–	–	–
Total Revenue (excluding capital transfers and contributions)		**140,226**	**175,101**	**161,338**	**154,592**	**151,893**	**–**	**–**	**153,426**	**163,295**	**172,739**
Expenditure By Type											
Employee related costs	2	42,913	55,775	67,572	78,926	76,292	–	–	86,055	91,213	97,886
Remuneration of councillors		10,104	10,885	11,185	12,071	12,688			13,703	14,799	15,983
Debt impairment	3	13,567	4,398	7,406	7,500	3,000			6,000	6,000	6,000
Depreciation & asset impairment	2	32,245	21,832	20,564	24,729	25,546	–	–	24,256	24,256	24,256
Finance charges		787	622	1,363	657	657			2,116	2,116	2,116
Bulk purchases	2	14,809	13,480	12,948	16,550	14,920	–	–	15,070	15,070	15,070
Other materials	8	1,082	1,437	1,437	6,571	5,094			3,296	2,496	2,496
Contracted services		8,572	13,774	10,210	5,882	17,163	–	–	11,414	15,612	14,412
Transfers and subsidies		–	–	–	435	1,379	–	–	290	290	290
Other expenditure	4, 5	58,907	68,736	51,912	41,502	25,801	–	–	19,915	19,960	20,009
Loss on disposal of PPE		1,147	8,831	1,244	–	–			–	–	–
Total Expenditure		**184,133**	**199,772**	**185,842**	**194,823**	**182,540**	**–**	**–**	**182,114**	**191,812**	**198,518**
Surplus/(Deficit)		**(43,907)**	**(24,671)**	**(24,504)**	**(40,231)**	**(30,648)**	**–**	**–**	**(28,688)**	**(28,517)**	**(25,779)**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		30,399	30,615	26,170	32,358	32,358			42,257	31,848	33,484
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		**(13,508)**	**5,944**	**1,666**	**(7,873)**	**1,710**	**–**	**–**	**13,569**	**3,331**	**7,705**
Taxation											
Surplus/(Deficit) after taxation		**(13,508)**	**5,944**	**1,666**	**(7,873)**	**1,710**	**–**	**–**	**13,569**	**3,331**	**7,705**
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		**(13,508)**	**5,944**	**1,666**	**(7,873)**	**1,710**	**–**	**–**	**13,569**	**3,331**	**7,705**
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		**(13,508)**	**5,944**	**1,666**	**(7,873)**	**1,710**	**–**	**–**	**13,569**	**3,331**	**7,705**

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue, excluding capital transfers, is estimated at R153 426 million for 2018/19 and escalates to R163 295 million in 2019/20 and R172 739 million in 2020/21. This represents a year-on-year increase of 6 per cent throughout the MTREF.
2. Revenue to be generated from property rates is R3 615million in the 2018/19 financial year and increases to R3 897 million by 2019/20 which represents only 2.4 per cent of the operating revenue base (excluding capital transfers) of the Municipality and therefore does not represent a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 8 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R14 383million for the 2018/19 financial year and increasing to R16 257 million by 2020/21. For the 2018/19 financial year services charges amount to 9.4 per cent of the total revenue base and stays relatively constant over the MTREF period.

4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. Transfers are fluctuating according to grants provided for by the respective governments.

5. The following graph illustrates the major expenditure items per type.



Expenditure by major type

6. Bulk purchases have significantly increased from the 2017/18 Adjusted budget of R14 920 million R 15 070 million over the MTREF. This increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
7. Employee related costs, depreciation, operating grant expenditure and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

BRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

EC136 Emalahleni (Ec) - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital expenditure - Vote											
Multi-year expenditure *to be appropriated*	2										
Vote 1 - Executive and Council		–	–	–	4,000	4,000	–	–	–	–	–
Vote 2 - Corporate Services		8,458	6,405	4,836	–	–	–	–	15,000	–	–
Vote 3 - Budget and Treasury		–	–	–	–	–	–	–	–	–	–
Vote 4 - Economic Development Tourism and Agriculture (E|		–	–	–	1,569	1,169	–	–	–	–	–
Vote 5 - Community and Social Services		17,654	6,912	2,722	600	600	–	–	11,670	14,718	10,000
Vote 6 - Infrastructure and Human Settlement (IDHS)		6,520	24,818	22,496	–	–	–		–	17,130	16,809
Capital multi-year expenditure sub-total	7	32,632	38,135	30,055	6,169	5,769	–	–	26,670	31,848	26,809
Single-year expenditure *to be appropriated*	2										
Vote 1 - Executive and Council		–	–	–	100	–	–	–	–	–	–
Vote 2 - Corporate Services		1,588	2,719	1,418	1,550	2,180	–	–	–	–	–
Vote 3 - Budget and Treasury		502	971	696	–	–	–	–	–	–	–
Vote 4 - Economic Development Tourism and Agriculture (E|		–	–	–	280	240	–	–	–	–	–
Vote 5 - Community and Social Services		–	–	2,342	3,679	2,009	–	–	27,279	–	–
Vote 6 - Infrastructure and Human Settlement (IDHS)		3,803	7,072	2,088	28,581	29,706			3,533	–	6,674
Capital single-year expenditure sub-total		5,894	10,761	6,544	34,190	34,135	–	–	30,812	–	6,674
Total Capital Expenditure - Vote		38,526	48,896	36,598	40,359	39,904	–	–	57,482	31,848	33,483
Capital Expenditure - Functional											
Governance and administration		10,548	10,094	6,950	5,650	6,180	–	–	15,000	–	–
Executive and council					4,100	4,000					
Finance and administration		10,548	10,094	6,950	1,550	2,180			15,000	–	–
Internal audit											
Community and public safety		17,654	6,912	5,064	3,258	2,609	–	–	38,149	11,918	11,674
Community and social services		12,690	5,160	5,064	2,958	2,309			19,170	8,918	11,674
Sport and recreation		4,964	1,752	–	300	300			18,979	3,000	–
Public safety											
Housing											
Health											
Economic and environmental services		10,324	31,890	21,875	18,925	19,244	–	–	2,733	17,130	16,809
Planning and development					1,850	1,409					
Road transport		10,324	31,890	21,875	17,075	17,835			2,733	17,130	16,809
Environmental protection											
Trading services		–	–	2,709	12,526	11,871	–	–	1,600	2,800	5,000
Energy sources		–	–	2,709	9,664	9,889			–	–	5,000
Water management											
Waste water management					1,842	1,982					
Waste management					1,020	–			1,600	2,800	–
Other											
Total Capital Expenditure - Functional	3	38,526	48,896	36,598	40,359	39,904	–	–	57,482	31,848	33,483
Funded by:											
National Government		30,399	30,615	26,170	32,358	32,358			42,257	31,848	33,483
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	30,399	30,615	26,170	32,358	32,358	–	–	42,257	31,848	33,483
Public contributions & donations	5										
Borrowing	6				8,000	7,545			15,000		
Internally generated funds		8,127	18,281	10,428					225		
Total Capital Funding	7	38,526	48,896	36,598	40,358	39,903	–	–	57,482	31,848	33,483

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
3. The capital program is funded from national grants and transfers and internally generated funds from current and prior year surpluses and is listed above.

MBRR Table A6 -Budgeted Financial Position

EC136 Emalahleni (Ec) - Table A6 Budgeted Financial Position

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
ASSETS											
Current assets											
Cash		3,213	2,396	2,874	1,072	16,270			13,154	5,205	4,309
Call investment deposits	1	28,563	26,023	10,260	–	–	–	–	–	–	–
Consumer debtors	1	22,582	12,747	7,340	17,906	2,097	–	–	14,881	19,534	24,854
Other debtors		2,222	6,110	13,233		18,366			12,490	12,114	10,114
Current portion of long-term receivables											
Inventory	2										
Total current assets		56,580	47,277	33,707	18,978	36,732	–	–	40,525	36,853	39,277
Non current assets											
Long-term receivables											
Investments											
Investment property		6,434	4,162	4,154	3,972	3,880			3,871	3,861	3,852
Investment in Associate											
Property, plant and equipment	3	388,475	397,130	412,032	436,925	426,473	–	–	443,686	450,506	458,961
Agricultural											
Biological											
Intangible		207	131	309	191	296			265	234	203
Other non-current assets		183	183	183	183	183			183	183	183
Total non current assets		395,298	401,605	416,678	441,271	430,831	–	–	448,004	454,784	463,199
TOTAL ASSETS		451,878	448,882	450,384	460,249	467,563	–	–	488,529	491,636	502,475
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	263	353	295	310	–	–	–	1,035	1,139	1,253
Consumer deposits											
Trade and other payables	4	20,592	22,996	20,841	26,501	27,094	–	–	26,425	25,000	27,000
Provisions		18,612	18,071	20,243	20,401	21,862			22,562	23,263	24,000
Total current liabilities		39,467	41,420	41,379	47,212	48,956	–	–	50,022	49,402	52,253
Non current liabilities											
Borrowing		547	295	–	8,283	7,545	–	–	13,024	11,885	10,632
Provisions		5,694	6,533	6,878	8,210	7,428	–	–	8,280	9,816	11,352
Total non current liabilities		6,241	6,828	6,878	16,493	14,973	–	–	21,304	21,701	21,984
TOTAL LIABILITIES		45,708	48,248	48,257	63,705	63,929	–	–	71,326	71,102	74,237
NET ASSETS	5	406,170	400,634	402,127	396,544	403,634	–	–	417,203	420,534	428,239
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		406,170	400,462	402,128	396,544	403,634			417,203	420,534	428,239
Reserves	4	–	–	–	–	–	–	–	–	–	–

Explanatory notes to Table A6 - Budgeted Financial Position

1. The Budgeted Financial Position is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. This table is supported by an extensive table of notes (SA3 which can be found on later in this report providing a detailed analysis of the major components of a number of items, including:
    - Call investments deposits;
    - Consumer debtors;
    - Property, plant and equipment;
    - Trade and other payables;
    - Provisions non-current;
    - Changes in net assets; and
    - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

MBRRTable A7 - Budgeted Cash Flow Statement

EC136 Emalahleni (Ec) - Table A7 Budgeted Cash Flows

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		1,302	1,333	1,676	2,151	3,940			1,265	1,364	1,457
Service charges		8,049	8,333	8,997	7,133	11,832			10,848	11,516	12,218
Other revenue		4,102	4,333	4,980	4,025	4,444			4,461	4,684	4,918
Government - operating	1	112,881	145,190	132,075	123,838	123,139			122,903	130,951	138,482
Government - capital	1	28,981	30,615	26,170	32,358	32,358			42,257	31,848	33,484
Interest		7,280	8,479	7,021	5,146	5,535			3,930	4,127	4,333
Dividends									-	-	-
Payments											
Suppliers and employees		(138,657)	(152,994)	(157,645)	(158,381)	(145,961)			(149,452)	(159,150)	(160,771)
Finance charges		(5,785)	(120)	(1,363)	(657)	(657)			(2,116)	(2,116)	(2,116)
Transfers and Grants	1				(435)	(1,379)			(290)	(290)	(290)
NET CASH FROM/(USED) OPERATING ACTIVITIES		18,153	45,168	21,912	15,178	33,251	-	-	33,807	22,934	31,726
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE			360			115			-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									6,500	2,000	2,000
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(37,085)	(48,589)	(36,844)	(40,358)	(37,478)			(57,482)	(31,848)	(33,483)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(37,085)	(48,229)	(36,844)	(40,358)	(37,363)	-	-	(50,982)	(29,848)	(31,483)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing					8,000	7,545			15,000	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing		(414)	(296)	(353)		(295)			(941)	(1,035)	(1,139)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(414)	(296)	(353)	8,000	7,250	-	-	14,059	(1,035)	(1,139)
NET INCREASE/ (DECREASE) IN CASH HELD		(19,346)	(3,357)	(15,285)	(17,180)	3,138	-	-	(3,116)	(7,949)	(896)
Cash/cash equivalents at the year begin:	2	50,993	31,776	28,419	18,253	13,134			16,270	13,154	5,205
Cash/cash equivalents at the year end:	2	31,776	28,419	13,134	1,073	16,272	-	-	13,154	5,205	4,309

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget..
3. The 2017/18 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
4. Cash and cash equivalents totals R13 154 million as at the end of the 2018/19 financial year and decreases to R4 309 million by 2020/21.

MBRRTable A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

EC136 Emalahleni (Ec) - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash and investments available											
Cash/cash equivalents at the year end	1	31,776	28,419	13,134	1,073	16,272	–	–	13,154	5,205	4,309
Other current investments > 90 days		–	–	(0)	(1)	(2)	–	–	–	0	0
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		**31,776**	**28,419**	**13,134**	**1,072**	**16,270**	**–**	**–**	**13,154**	**5,205**	**4,309**
Application of cash and investments											
Unspent conditional transfers		349	1,157	801	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–		–	–	–
Statutory requirements	2										
Other working capital requirements	3	6,337	11,711	7,871	18,055	12,083	–	–	10,495	6,592	6,672
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		**6,686**	**12,868**	**8,671**	**18,055**	**12,083**	**–**	**–**	**10,495**	**6,592**	**6,672**
Surplus(shortfall)		**25,091**	**15,551**	**4,462**	**(16,983)**	**4,187**	**–**	**–**	**2,659**	**(1,387)**	**(2,363)**

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
2. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". The municipality's budget is cash-funded and thus in compliance with the requirements of the MFMA.
3. As part of the budgeting and planning guidelines that informed the compilation of the 2018/19 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

MBRR Table A9 - Asset Management

EC136 Emalahleni (Ec) - Table A9 Asset Management

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CAPITAL EXPENDITURE										
Total New Assets	1	38,526	48,896	36,598	27,295	25,741	–	52,974	14,718	11,674
Roads Infrastructure		6,520	19,506	19,369	8,962	8,963	–	–	–	–
Storm water Infrastructure		–	5,312	417	996	996	–	225	–	–
Electrical Infrastructure		–	–	2,709	5,609	5,834	–	–	–	–
Water Supply Infrastructure		–	–	–	–	–	–		–	–
Sanitation Infrastructure		–	–	–	–	–	–		–	–
Solid Waste Infrastructure		–	–	–	1,000	–	–		2,800	–
Rail Infrastructure		–	–	–	–	–	–		–	–
Coastal Infrastructure		–	–	–	–	–	–		–	–
Information and Communication Infrastructure		–	–	–	–	–	–		–	–
Infrastructure		6,520	24,818	22,496	16,567	15,793	–	225	2,800	–
Community Facilities		12,690	5,160	5,064	2,059	2,059	–	17,970	8,918	11,674
Sport and Recreation Facilities		4,964	1,752	–	300	300	–	18,979	3,000	–
Community Assets		17,654	6,912	5,064	2,359	2,359	–	36,949	11,918	11,674
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		8,458	6,405	4,836	4,000	4,000	–	15,000	–	–
Housing		–	–	–	–	–	–	–	–	–
Other Assets		8,458	6,405	4,836	4,000	4,000	–	15,000	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	800	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		70	–	–	–	–	–	–	–	–
Intangible Assets		70	–	–	–	–	–	–	–	–
Computer Equipment		432	971	696	700	700	–	–	–	–
Furniture and Office Equipment		1,588	2,719	1,418	350	175	–	–	–	–
Machinery and Equipment		3	140	529	720	–	–	–	–	–
Transport Assets		3,800	6,932	1,560	1,030	1,545	–	–	–	–
Libraries		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	1,569	1,169	–		–	–
Total Renewal of Existing Assets	2	–	–	–	4,305	4,305	–	4,508	17,130	21,809
Roads Infrastructure		–	–	–	–	–	–	2,508	17,130	16,809
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		–	–	–	4,055	4,055	–	–	–	5,000
Water Supply Infrastructure		–	–	–	–	–	–	–	–	–
Sanitation Infrastructure		–	–	–	–	–	–	–	–	–
Solid Waste Infrastructure		–	–	–	–	–	–	800	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	4,055	4,055	–	3,308	17,130	21,809
Community Facilities		–	–	–	250	250	–	–	–	–
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	–
Community Assets		–	–	–	250	250	–	–	–	–
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Other Assets		–	–	–	–	–	–	–	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	–	–	–	–	–	–
Intangible Assets		–	–	–	–	–	–	–	–	–
Computer Equipment		–	–	–	–	–	–	–	–	–
Furniture and Office Equipment		–	–	–	–	–	–	–	–	–
Machinery and Equipment		–	–	–	–	–	–	–	–	–
Transport Assets		–	–	–	–	–	–	–	–	–
Libraries		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	1,200		–
Total Upgrading of Existing Assets	6	–	–	–	8,758	9,858	–	–	–	–
Roads Infrastructure		–	–	–	7,612	8,872	–	–	–	–
Storm water Infrastructure		–	–	–	846	986	–	–	–	–
Electrical Infrastructure		–	–	–	–	–	–	–	–	–
Water Supply Infrastructure		–	–	–	–	–	–	–	–	–
Sanitation Infrastructure		–	–	–	–	–	–	–	–	–
Solid Waste Infrastructure		–	–	–	–	–	–	–	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	8,458	9,858	–	–	–	–
Community Facilities		–	–	–	300	–	–	–	–	–
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	–
Community Assets		–	–	–	300	–	–	–	–	–
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Other Assets		–	–	–	–	–	–	–	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	–	–	–	–	–	–
Intangible Assets		–	–	–	–	–	–	–	–	–
Computer Equipment		–	–	–	–	–	–	–	–	–
Furniture and Office Equipment		–	–	–	–	–	–	–	–	–
Machinery and Equipment		–	–	–	–	–	–	–	–	–
Transport Assets		–	–	–	–	–	–	–	–	–
Libraries		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–

Total Capital Expenditure	4									
Roads Infrastructure		6,520	19,506	19,369	16,574	17,835	–	2,508	17,130	16,809
Storm water Infrastructure		–	5,312	417	1,842	1,982	–	225	–	–
Electrical Infrastructure		–	–	2,709	9,664	9,889	–	–	–	5,000
Water Supply Infrastructure		–	–	–	–	–	–		–	–
Sanitation Infrastructure		–	–	–	–	–	–		–	–
Solid Waste Infrastructure		–	–	–	1,000	–	–	800	2,800	–
Rail Infrastructure		–	–	–	–	–	–		–	–
Coastal Infrastructure		–	–	–	–	–	–		–	–
Information and Communication Infrastructure		–	–	–	–	–	–		–	–
Infrastructure		6,520	24,818	22,496	29,080	29,706	–	3,533	19,930	21,809
Community Facilities		12,690	5,160	5,064	2,609	2,309	–	17,970	8,918	11,674
Sport and Recreation Facilities		4,964	1,752	–	300	300	–	18,979	3,000	–
Community Assets		17,654	6,912	5,064	2,909	2,609	–	36,949	11,918	11,674
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		8,458	6,405	4,836	4,000	4,000	–	15,000	–	–
Housing		–	–	–	–	–	–	–	–	–
Other Assets		8,458	6,405	4,836	4,000	4,000	–	15,000	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	800	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		70	–	–	–	–	–	–	–	–
Intangible Assets		70	–	–	–	–	–	–	–	–
Computer Equipment		432	971	696	700	700	–	–	–	–
Furniture and Office Equipment		1,588	2,719	1,418	350	175	–	–	–	–
Machinery and Equipment		3	140	529	720	–	–	–	–	–
Transport Assets		3,800	6,932	1,560	1,030	1,545	–	–	–	–
Libraries		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	1,569	1,169	–	1,200	–	–
TOTAL CAPITAL EXPENDITURE - Asset class		38,526	48,896	36,598	40,358	39,904	–	57,482	31,848	33,483
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Roads Infrastructure		170,764	172,303	176,452	191,173	183,273		168,084	167,518	166,631
Storm water Infrastructure		7,829	7,840	7,693	9,790	9,203		9,254	9,080	8,906
Electrical Infrastructure		10,830	10,294	12,438	25,752	21,564		20,951	20,337	24,724
Water Supply Infrastructure										
Sanitation Infrastructure										
Solid Waste Infrastructure		3,970	9,132	9,550	4,207	8,964		9,764	12,564	12,564
Rail Infrastructure										
Coastal Infrastructure										
Information and Communication Infrastructure										
Infrastructure		193,393	199,570	206,132	230,922	223,004	–	208,053	209,499	212,824
Community Facilities		73,094	78,483	83,027	42,699	51,658		69,015	77,321	88,382
Sport and Recreation Facilities		30,468	31,244	30,157	53,247	56,767		74,463	76,181	74,898
Community Assets		103,563	109,727	113,184	95,946	108,425	–	143,479	147,583	163,280
Heritage Assets		183	183	183	183	183		183	183	183
Revenue Generating		6,434	4,162	4,154	3,972	3,880		3,871	3,861	3,852
Non-revenue Generating										
Investment properties		6,434	4,162	4,154	3,972	3,880	–	3,871	3,861	3,852
Operational Buildings		75,287	63,552	67,683	78,479	67,532		81,701	80,870	80,039
Housing										

Other Assets		75,287	63,552	67,683	78,479	67,532	–	81,701	80,870	80,039
Biological or Cultivated Assets								800	800	800
Servitudes										
Licences and Rights		207	131	309	191	296		265	234	203
Intangible Assets		207	131	309	191	296	–	265	234	203
Computer Equipment		989	1,498	1,751	2,193	2,343		1,951	1,558	1,166
Furniture and Office Equipment		3,135	5,213	5,724	8,249	5,548		4,529	3,511	2,492
Machinery and Equipment		383	448	886	1,167	832		725	618	510
Transport Assets		11,725	17,123	16,672	18,010	17,194		15,707	14,219	12,732
Libraries					391	426		426	426	426
Zoo's, Marine and Non-biological Animals					1,569	1,169		2,369	2,369	2,369
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	395,298	401,605	416,678	441,272	430,832	–	464,057	465,731	480,876
EXPENDITURE OTHER ITEMS										
Depreciation	7	32,245	21,832	20,564	24,729	25,546	–	24,256	24,256	24,256
Repairs and Maintenance by Asset Class	3	5,286	7,020	5,923	8,411	6,310	–	5,269	5,371	5,481
Roads Infrastructure		1,257	1,669	1,408	2,000	999	–	900	900	900
Storm water Infrastructure		845	1,122	947	1,345	1,329	–	1,413	1,515	1,625
Electrical Infrastructure		559	743	627	890	690	–	430	430	430
Water Supply Infrastructure		–	–	–	–	–	–	–	–	–
Sanitation Infrastructure		–	–	–	–	–	–	–	–	–
Solid Waste Infrastructure		–	–	–	–	–	–	–	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		2,661	3,534	2,982	4,235	3,018	–	2,743	2,845	2,955
Community Facilities		556	738	622	884	642	–	520	520	520
Sport and Recreation Facilities		75	100	84	120	40	–	60	60	60
Community Assets		631	838	707	1,004	682	–	580	580	580
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		251	334	282	400	700	–	300	300	300
Housing		–	–	–	–	–	–	–	–	–
Other Assets		251	334	282	400	700	–	300	300	300
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		157	209	176	250	90	–	130	130	130
Intangible Assets		157	209	176	250	90	–	130	130	130
Computer Equipment		–	–	–	–	–	–	–	–	–
Furniture and Office Equipment		–	–	–	–	–	–	–	–	–
Machinery and Equipment		402	534	451	640	470	–	426	426	426
Transport Assets		881	1,170	987	1,402	1,350	–	1,010	1,010	1,010
Libraries		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		302	401	338	480	–	–	80	80	80
TOTAL EXPENDITURE OTHER ITEMS		37,531	28,852	26,486	33,140	31,856	–	29,525	29,627	29,737
Renewal and upgrading of Existing Assets as % of total capex		0.0%	0.0%	0.0%	32.4%	35.5%	0.0%	7.8%	53.8%	65.1%
Renewal and upgrading of Existing Assets as % of deprecn		0.0%	0.0%	0.0%	52.8%	55.4%	0.0%	18.6%	70.6%	89.9%
R&M as a % of PPE		1.4%	1.8%	1.4%	1.9%	1.5%	0.0%	1.2%	1.2%	1.2%
Renewal and upgrading and R&M as a % of PPE		1.0%	2.0%	1.0%	5.0%	5.0%	0.0%	2.0%	5.0%	6.0%

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both these recommendations.
3. An analysis between depreciation and operational repairs and maintenance over the MTREF is not yet possible until the municipality changes its financial systems to include all maintenance costs, also those incurred internally, to the maintenance votes. When implemented it will highlight the Municipality's maintenance backlog.

MBRR Table A10–Basic Service Delivery Measurement

EC136 Emalahleni (Ec) - Table A10 Basic service delivery measurement

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Household service targets	1									
Energy:										
Electricity (at least min.service level)		–	–	–	–	–	–	–	–	–
Electricity - prepaid (min.service level)		3,253	3,253	3,253	3,253	3,253	3,253	3,253	3,253	3,253
Minimum Service Level and Above sub-total		3,253	3,253	3,253	3,253	3,253	3,253	3,253	3,253	3,253
Electricity (< min.service level)		–	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)		–	–	–	–	–	–	–	–	–
Other energy sources		–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	**3,253**	**3,253**	**3,253**	**3,253**	**3,253**	**3,253**	**3,253**	**3,253**	**3,253**
Refuse:										
Removed at least once a week		2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637
Minimum Service Level and Above sub-total		2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637
Removed less frequently than once a week		165	165	165	165	165	165	165	165	165
Using communal refuse dump		528	528	528	528	528	528	528	528	528
Using own refuse dump		20,165	20,165	20,165	20,165	20,165	20,165	20,165	20,165	20,165
Other rubbish disposal		1,303	1,303	1,303	1,303	1,303	1,303	1,303	1,303	1,303
No rubbish disposal		6,883	6,883	6,883	6,883	6,883	6,883	6,883	6,883	6,883
Below Minimum Service Level sub-total		29,044	29,044	29,044	29,044	29,044	29,044	29,044	29,044	29,044
Total number of households	5	**31,681**	**31,681**	**31,681**	**31,681**	**31,681**	**31,681**	**31,681**	**31,681**	**31,681**
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		–	–	–	–	–	–	–	–	–
Sanitation (free minimum level service)		–	–	–	–	–	–	–	–	–
Electricity/other energy (50kwh per household per month)		–	–	–	–	–	–	–	–	–
Refuse (removed at least once a week)		–	–	–	–	–	–	–	–	–
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per **indigent** household per month)		–	–	–	–	–	–	–	–	–
Sanitation (free sanitation service to **indigent households**)		–	–	–	–	–	–	–	–	–
Electricity/other energy (50kwh per **indigent** household per month)		–	–	–	2,100	2,100	–	2,100	2,100	2,100
Refuse (removed once a week **for indigent households**)		454	1,225	1,834	1,800	1,800	–	1,800	1,800	1,800
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		–	–	–	–	–	–	–	–	–
Total cost of FBS provided		**454**	**1,225**	**1,834**	**3,900**	**3,900**	–	**3,900**	**3,900**	**3,900**
Highest level of free service provided per household										
Property rates (R value threshold)		15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)										
Revenue cost of subsidised services provided (R'000)	9									
Property rates **(tariff adjustment) (impermissable values per section 17 of MPRA)**										
Property rates exemptions, reductions and rebates **and impermissable values in excess of section 17 of MPRA)**		–	–	–	1,000	800	–	2,000	2,000	2,000
Water **(in excess of 6 kilolitres per indigent household per month)**		–	–	–	–	–	–	–	–	–
Sanitation **(in excess of free sanitation service to indigent households)**		–	–	–	–	–	–	–	–	–
Electricity/other energy **(in excess of 50 kwh per indigent household per month)**		–	–	–	–	–	–	–	–	–
Refuse **(in excess of one removal a week for indigent households)**		–	–	–	–	–	–	–	–	–
Municipal Housing - rental rebates										
Housing - top structure subsidies	6									
Other										
Total revenue cost of subsidised services provided		–	–	–	**1,000**	**800**	–	**2,000**	**2,000**	**2,000**

Part 2 – Supporting Documentation

1.8 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Portfolio Head Councillor of Financial Services/Mayor.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

1.8.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2017) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule by 31 August 2017.

2018/2019 IDP AND BUDGET SCHEDULE OF KEY DEADLINES

Activity	Date	Custodian
June 2017		
Submission of the approved Reviewed IDP and Budget 2017 / 2018 to the National, Provincial Treasury department, MEC for EC-CoGTA and the district municipality	09 June 2017	Municipal Manager
Budget Steering Committee presentation of the SDBIP for 2017/2018 Financial Year and Process Plan	13 June 2017	Mayor
IDP/ PMS and Budget Technical Steering Committee to finalize the service delivery and budget implementation plans for 2017 / 2018	22June 2017	Mayor
Special Council Meeting and Approval and Publication of the SDBIP 2017/2018	30 June 2017	Mayor Municipal Manager

Activity	Date	Custodian
Presentation of the draft IDP and PMS Review Process Plan 2017 2018 to Council for approval	30 June 2017	Mayor
July 2017		
Submission of IDP/ PMS Review and Budget Process Plan to the district municipality and other spheres of government	07 July 2017	All Directors Municipal Manager
Advertisement and/or publication of the IDP/PMS Review and Budget Process Plan 2018 / 2019	12 July 2017	Municipal Manager
Preparation and finalization of the Annual Performance Report (Section 46) for the 2016/2017 financial year (Non-Financial)	12 July 2017	Municipal Manager
Inter-Governmental Relations meeting - Formal presentation of the approved IDP, Budget and SDBIP 2016/2017 to stakeholders	19 July 2016	Municipal Manager
Submission of Performance Information for purposes of the Annual Report (Non-Financial)	21 July 2017	All Directors Municipal Manager
Preparation and Submission of signed performance agreements for Section 57 Managers to relevant stakeholders	28 July 2017	Municipal Manager
August 2017		
Preparation of the draft annual report 2015 / 2016	01 – 06 August 2017	Municipal Manager
Presentation of the Draft Annual Report EMC	07 August 2017	Municipal Manager
Submission of the draft annual report 2015/2016 with annual financial statements to the Audit / Performance Audit Committee for review	24 August 2017	Chief Financial Officer Municipal Manager
Tabling of the unaudited Annual Report in Council for noting	30 August 2017	Mayor
Submit draft previous financial year Annual Report and evidence to internal and the Auditor General including annual financial statements and financial and non-financial information	30 August 2017	Municipal Manager Chief Financial Officer
Submit annual report including final annual financial statements and annual performance report to EXCO and MPAC meeting	23 August 2017	Municipal Manager Chief Financial Officer and AllDirectors
September 2017		
IDP Rep Forum: Presentation of SDBIP and Process Plan	19 September 2017	Mayor
Auditor General continue to audit annual report audit report to the accounting officer of the municipality	29 September2017	Municipal Manager
October 2017		
Submission of Performance reports and performance information of the first quarter	12 October 2017	All Directors
IDP/PMS and Budget Technical Steering Committee: presentation of the first quarterly performance analysis report	17 October 2017	Municipal Manager
Submission of the Performance Report of the institution to the Office of the Mayor	18 October 2017	Municipal Manager

Activity	Date	Custodian
BSC to discuss revenue projections	17 October 2017	Municipal Manager
IDP Rep Forum Presentation quarter performance and Situational Analysis under review (Situational analysis review phase commence). Alignment of Municipal programmes to Provincial and Sector departments	24 October 2017	Mayor
Special Council Meeting: Annual Report and oversight report process for adoption to be used as input into public participating meetings for IDP Review process	26 October 2017	Mayor MPAC Chairperson
November 2017		
Annual Report and oversight report process for adoption to be used as input into public participating meetings for IDP Review process	November 2017	Mayor
Budget Steering Committee - Presentation on the alignment of expenditure programmes for 18/19 budget	13 November 2017	Mayor
Oversight Committee finalises assessment on the annual report	14 November 2017	Municipal Manager
Tabling of the audited annual report and financial statements to Council	24 November 2017	Mayor
Annual Report is made available for inspection by the public	27 November 2017	Mayor
IDP/PMS and Budget Representative Forum – Presentation of the audited annual report 2015/2016, draft reviewed situation analysis, objectives, strategies and indicators (IDP 2017/2018). Presentation of the 1st quarterly performance (July to September 2016)	30 November 2017	Mayor
December 2017		
Council adopts Oversight report	14 December 2017	Municipal Manager
Oversight Report is available for inspection by the public	14 December 2017	Mayor Municipal Manager
Oversight report is submitted to Auditor-General, Provincial Treasury and Department of Cooperative Government-EC	14 December 2017	Municipal Council
Logistical arrangements on the review of the mid-year performance reports, assessment of performance and review of the service delivery and budget implementation plans	01-05 December 2017	Municipal Manager
Budget Steering Committee	05 December 2017	Mayor
January 2018		
Submission of Performance reports and performance information – mid-year performance	10 January 2018	All Directors
Budget Steering Committee discuss Section 71 Report	17 January 2018	All Directors
Budget Steering Committee - Presentation of mid-year performance to Executive Management Committee	17 January 2018	Municipal Manager All Directors
IDP/PMS and Budget Technical Steering committee to present	17 January 2018	Municipal Manager

Activity	Date	Custodian
And discuss draft objectives and strategies. Launch of the third phase of the IDP (Discussions on the projects commences)		All Directorates
Strategic planning session to present updated situation analysis, refined objectives and strategies and draft projects. Presentation of the mid-year performance report; Review SDBIP 2017/2018, prepare draft SDBIP 2018 / 2019;	18 - 19 January 2018	Municipal Manager All Directors
Submission of the Mid-Year performance report 2016/2017 to the Mayor	25 January 2018	Municipal Manager
Presentation of reviewed SDBIP 2016/2017 to the Mayor for approval	30 January 2018	Municipal Manager
SPECIAL COUNCIL MEETING: Table in a council meeting, mid-year assessment report 2017/ 2018	30 January 2018	Municipal Manager, Mayor
February 2018		
Write to/ written request to CHDM to obtain projected allocations for 18/19 for inclusion in budget	01 February 2018	Municipal Manager
Submission of mid-year performance reports to the Sector	09 February 2018	Municipal Manager
IDP Rep Forum – Presentation of the mid-year performance report, draft reviewed IDP objectives, strategies and indicators, Mid-Year Performance, Audit Outcome, allocations to be considered if necessary.	06 February 2018	Mayor
BSC- Presentation of Adjustment Budget	14 February 2018	
IDP/PMS and Budget Technical steering committee to discuss and finalize draft projects and submission of reviewed sector plans; draft adjustment budget	23 February 2018	Municipal Manager
SPECIAL COUNCIL MEETING: Table in a special council meeting the adjustments budget for mid-year	27 February 2018	Municipal Manager, Mayor
March 2018		
Presentation of draft Reviewed IDP 2018 / 2019 to IDP/PMS and Budget Technical committee and alignment of budget	07 March 2018	Municipal Manager
Budget Steering Committee meeting for presentation of Draft IDP and Draft Budget	09 March 2018	Mayor
IDP/PMS and Budget Steering Committee: Presentation of draft 1st Draft IDP 2017/2018 (4thReview); review progress	09 March 2018	Mayor
Submission of draft directorate SDBIPs 2017 / 2018 for consolidation	16 March 2018	All Directors
Inter-Governmental Relations – Consultation on the 1st draft Reviewed IDP 2017 / 2018	23 March 2018	Municipal Manager
Council Meeting – Presentation of the 1st draft IDP 2018 / 2019 (1st Review)	29 March 2018	Mayor
April 2018		

Activity	Date	Custodian
IDP advertised for public comments, public meetings and consultation schedule	05 April 2018	Municipal Manager
Submission of adopted Draft IDP and budget to the Office of the Premiers, Provincial and National Treasury, District Municipality and the MEC for EC-CoGTA	06 April 2018	Municipal Manager
Submission of Performance reports and performance information of the third quarter	11 April 2018	All Directors
IDP, Budget and PMS Road shows	02 – 13 April 2018	Mayor
IDP Representative Forum– presentation on the final draft Reviewed IDP and Budget 2017 / 2018; and tariffs	24 April 2018	Mayor
May 2018		
IDP/PMS and Budget Technical Steering Committee to consider public comments and those from sector departments; presentation of performance reports for the 3rd quarter	05 May 2018	Municipal Manager
IGR Final Submission of inputs from Sector Departments	08 May 2018	Municipal Manager
IDP/PMS and Budget Steering Committee: Presentation of Final Draft IDP	11 May 2018	Mayor
IDP and Budget Workshop for Councillors and Traditional leaders on the final draft Reviewed IDP 2018 / 2019	26 May 2018	Municipal Manager
State of the Municipal Address: Reviewed IDP 2018/2019 & Budgets approved by Council	31 May 2018	Mayor
June 2017		
Submission of the approved Reviewed IDP and Budget 2017 / 2018 to the National, Provincial Treasury department, MEC for EC-CoGTA and the district municipality	14 June 2018	Municipal Manager
Budget Steering Committee presentation of the SDBIP for 2017/2018 Financial Year and Process Plan	12 June 2018	Mayor
IDP/ PMS and Budget Technical Steering Committee to finalize the service delivery and budget implementation plans for 2017 / 2018	22 June 2018	Mayor
Special Council Meeting	28 June 2018	Mayor

There were some deviations from the key dates set out in the Budget Time Schedule tabled in Council. However, the schedule attached is the revised on as from time to time adjusted by council and its programmes.

1.8.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2018/19 MTREF, based on the approved 2017/18 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2018/19 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2017/18 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.8.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2018/19 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2018/19MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2017/178adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 85, 86 and 89 has been taken into consideration in the planning and prioritisation process.

1.9 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and

direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2012/13 MTREF and further planning refinements that have directly informed the compilation of the budget:

IDP Strategic Objectives

2017/18 Financial Year	2018/19 MTREF
1. To ensure that cost effective, appropriate and efficient services are delivered (KPA Service delivery)	1. To ensure that cost effective, appropriate and efficient services are delivered (KPA Service delivery)
2. To ensure that conditions are created which stimulate the growth of the local economy (KPA LED)	2. To ensure that conditions are created which stimulate the growth of the local economy (KPA LED)

3. To have an effective and efficient administration (KPA Municipal transformation and Inst.dev.)	3. To have an effective and efficient administration (KPA Municipal transformation and Inst.dev.)
4. To have a transparent and performance driven organisation (KPA Good governance and public participation)	4. To have a transparent and performance driven organisation (KPA Good governance and public participation)
5. To implement good financial management (KPA Financial management and viability)	5. To implement good financial management (KPA Financial management and viability)

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. To have a transparent and performance driven organisation
2. To ensure that cost effective, appropriate and efficient services are delivered
3.To ensure that conditions are created which stimulate the growth of the local economy
4. To implement good financial management
5. To have an effective and efficient administration

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the new IDP.

The 2018/19 MTREF has therefore been directly informed by the IDP revision process and the following tables provide reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

EC136 Emalahleni (Ec) - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	Goal Code	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
To facilitate access to energy sources supply to all residents of Emalahleni Municipality	Provison of Electricity			–	–	–	11,187	10,005		10,851	15,898	15,378
To facilitate provision of human settlements by relevant sector department in compliance with standards of building controls of ELM	Human Settlements						24	24		26	27	28
To promote and support agricultural development	Agricultural Development			–	–	–	550	806		5	6	6
To implement the Local Economic Development Plan with particular emphasis on key aspects of tourism development in ELM	Tourism Development						–	–		–	–	–
To improve compliance and adherence to MFMA legislation	Budget Planning and Financial Reporting			–	–	–	–	115		–	–	–
To ensure the availability of wellmaintained and repaired buildings, amenities and recreational facilities to which the public has full access	Building/facilities/amenities and recreational facilities						1,999	2,121		2,229	2,346	2,413
To improve compliance and adherence to legislation	Financial Management			–	–	–	123,646	122,371		122,643	128,550	137,548
To implement proper supply chain protocols in compliance with the MFMA legislation	Supply Chain Management						–	–		–	–	–
To ensure the provision of a comprehensive roads infrastructure network	Roads infrastructure			–	–	–	36,370	35,370		45,925	33,525	35,247
Waste Management and Environment	Waste Management and Environment						6,500	6,764		6,990	7,429	7,891
To ensure an effective system of municipal governance in line with applicable legislation	Council Support						6,675	6,675		7,015	7,362	7,711
To provide appropriate Human Resources to support all Directorates in the municipality by June 2016	Human Resources Management						–	–		–	–	–
To develop the skills of the workforce and unemployed graduates in order to enhance their competencies	Human Resource Development						–	–		–	–	–
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	–	–	–	186,950	184,251	–	195,683	195,143	206,222

MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

EC136 Emalahleni (Ec) - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
To facilitate access to energy sources supply to all residents of Emalahleni Municipality	Provision of Electricity			–	–	–	21,614	19,153		19,868	24,472	23,492
To facilitate provision of human settlements by relevant sector department in compliance with standards of building controls of ELM	Human Settlements						2,791	2,590		2,526	2,712	2,912
To promote and support agricultural development	Agricultural Development			–	–	–	1,970	2,305		1,354	1,436	1,525
To implement the Local Economic Development Plan with particular emphasis on key aspects of tourism development in ELM	Tourism Development						697	646		555	592	631
To improve compliance and adherence to MFMA legislation	Budget Planning and Financial Reporting			–	–	–	5,815	7,040		7,554	7,859	8,188
To ensure the availability of wellmaintained and repaired buildings, amenities and recreational facilities to which the public has full access	Building/facilities/amenities and recreational facilities						21,813	20,429		14,930	15,747	16,629
To improve compliance and adherence to legislation	Financial Management			–	–	–	53,863	48,668		47,834	49,784	51,890
To implement proper supply chain protocols in compliance with the MFMA legislation	Supply Chain Management						2,018	1,971		2,049	2,213	2,390
To ensure the provision of a comprehensive roads infrastructure network	Roads infrastructure			–	–	–	31,345	30,195		37,954	36,712	37,554
Waste Management and Environment	Waste Management and Environment						14,058	11,242		11,860	12,386	12,954
To ensure an effective system of municipal governance in line with applicable legislation	Council Support						26,262	26,168		25,973	27,905	29,990
To provide appropriate Human Resources to support all Directorates in the municipality by June 2016	Human Resources Management						3,828	3,843		3,476	3,718	3,979
To develop the skills of the workforce and unemployed graduates in order to enhance their competencies	Human Resource Development						1,480	1,382		1,262	1,300	1,341
To improve community paticipation in the affairs of the municipality	Public Participation						7,268	6,908		4,918	4,978	5,043
Allocations to other priorities												
Total Expenditure			1	–	–	–	194,822	182,540	–	182,114	191,812	198,518

MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

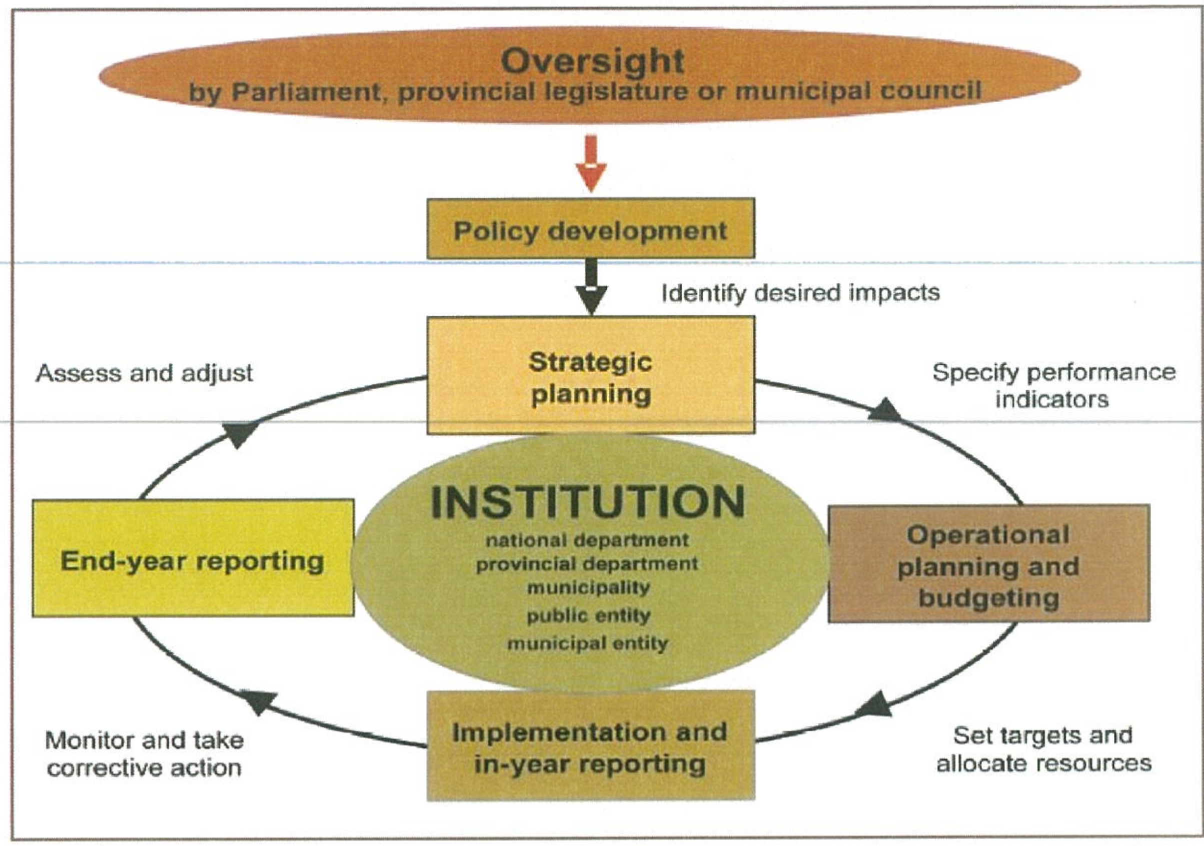
EC136 Emalahleni (Ec) - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
To facilitate access to energy sources supply to all residents of Emalahleni Municipality	Provision of Electricity						9,664	9,664		225		5,000
To facilitate provision of human settlements by relevant sector department in compliance with standards of building controls of ELM	Human Settlements											
To promote and support agricultural development	Agricultural Development									2,000		
To implement the Local Economic Development Plan with particular emphasis on key aspects of tourism development in ELM	Tourism Development											
To improve compliance and adherence to MFMA legislation	Budget Planning and Financial Reporting											
To ensure the availability of wellmaintained and repaired buildings, amenities and recreational facilities to which the public has full access	Building/facilities/amenities and recreational facilities						8,478	8,478		51,949	11,918	11,674
To improve compliance and adherence to legislation	Financial Management						2,300	2,300				
To implement proper supply chain protocols in compliance with the MFMA legislation	Supply Chain Management											
To ensure the provision of a comprehensive roads infrastructure network	Roads infrastructure						18,916	19,461		2,508	17,130	16,809
Waste Management and Environment	Waste Management and Environment						1,000			800	2,800	
To ensure an effective system of municipal governance in line with applicable legislation	Council Support											
To provide appropriate Human Resources to support all Directorates in the municipality by June 2016	Human Resources Management											
To develop the skills of the workforce and unemployed graduates in order to enhance their competencies	Human Resource Development											
To improve community paticipation in the affairs of the municipality	Public Participation											
Allocations to other priorities			3									
Total Capital Expenditure			1	-	-	-	40,358	39,903	-	57,482	31,848	33,483

1.10 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipalitytargets,monitors,assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

MBRR Table SA7 - Measurable performance objectives

The following table sets out the municipalities main performance objectives and benchmarks for the 2017/18 MTREF.

MBRR Table SA8 - Performance indicators and benchmark

EC136 Emalahleni (Ec) - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.7%	0.5%	0.9%	0.3%	0.5%	0.0%	0.0%	1.7%	1.6%	1.6%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	4.4%	3.1%	5.9%	2.1%	3.3%	0.0%	0.0%	10.0%	9.7%	9.5%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	98.5%	0.0%	0.0%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	1.4	1.1	0.8	0.4	0.8	–	–	0.8	0.7	0.8
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.4	1.1	0.8	0.4	0.8	–	–	0.8	0.7	0.8
Liquidity Ratio	Monetary Assets/Current Liabilities	0.8	0.7	0.3	0.0	0.3	–	–	0.3	0.1	0.1
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		62.8%	61.3%	56.3%	50.0%	87.5%	0.0%	0.0%	103.4%	77.5%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		62.8%	61.3%	56.3%	50.0%	87.5%	0.0%	0.0%	67.3%	67.1%	66.9%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	17.7%	10.8%	12.8%	11.6%	13.5%	0.0%	0.0%	17.8%	19.4%	20.2%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within`MFMA' s 65(e))										
Creditors to Cash and Investments		63.7%	76.8%	152.6%	2469.8%	166.5%	0.0%	0.0%	200.9%	480.3%	626.6%
Other Indicators											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	30.6%	31.9%	41.9%	51.1%	50.2%	0.0%	0.0%	56.1%	55.9%	56.7%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	58.9%	58.6%	0.0%		65.0%	64.9%	65.9%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	3.8%	4.0%	3.7%	5.4%	4.2%	0.0%		3.4%	3.3%	3.2%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	23.6%	12.8%	13.6%	16.4%	17.3%	0.0%	0.0%	17.2%	16.1%	15.3%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	3.1	4.1	5.7	5.3	5.3	5.3	–	5.9	5.9	6.3
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	158.8%	113.9%	104.6%	92.4%	108.1%	0.0%	0.0%	144.3%	156.6%	162.5%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	3.3	2.7	1.2	0.1	1.4	–	–	1.1	0.4	0.3

1.10.1 Performance indicators and benchmarks

1.10.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long-term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Emalahleni Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2017/18 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ration is by far below the borrowing capacity of the municipality, but it needs to be noted that capital grants and transfers has contributed significantly to the municipality's capital expenditure programs, thus limiting the need for borrowing.

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing is steady 1.6 percent throughout the MTREF period. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality should limit external interest charges to the minimum.

- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The municipality does not intend borrowing any money during the MTREF period.

The Municipality's debt profile provides some interesting insights on the Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

The Municipality has budgeted to finance the building of municipal offices with a long-term borrowing which is to be repaid over a fifteen-year period.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2018/19 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

1.10.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. This ratio is well below the norm, indicating a strong financial position.

- *The gearing ratio* is a measure of the total long-term borrowings over funds and reserves.

1.10.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of more than 2 which is a general benchmark, hence at no point in time should this ratio be less than 2. For the 2017/18 MTREF the current ratio is 0.8, and 0.7 and 0.8 respectively for the two outer years of the MTREF. Going forward it will be good financial practices if these levels can be improved.

- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2017/18 financial year the ratio was 0.8 and as part of the financial planning strategy it has been maintained at 0.7 throughout the MTREF.

1.10.1.4 Revenue Management

- As part of the financial sustainability, an aggressive revenue management framework should be implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears more than 90 days. The intention of the framework should be to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection. The collection rates in this indicator is based on all cash receipts, also for direct income. The collection rate used for the calculation of debtors' payments was average of 50 per cent and should increase if the municipality wants to be financial as a going concern conservative approach in order to cater for the current negative economic climate.

1.10.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

1.10.1.6 Other Indicators

- The municipality needs to know what causes high electricity losses. The municipality has then to developed mechanism to determine what is an acceptable distribution loss and what should be contributed to theft.

- Employee costs as a percentage of operating revenue is constant over the MTREF. This is primarily owing to the high employee costs which are growing on an annual basis, the municipality has taken an approach to either cut expenditure or keep it in line with prior year budget, however employee costs cannot be cut, the increases in revenue are therefore consumed by the growing employee costs, hence the employee costs percent against revenue has remained constant.

- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also fairly constant owing directly to cost drivers such as bulk purchases increasing far above inflation. The expenditure on repairs and maintenance is well below acceptable levels, but the actual cost will only be determined when a costing system is implemented.

1.10.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the MTREF 3900 registered indigents have been provided for in the budget. In terms of the Municipality's indigent policy registered households are entitled to 6kℓ fee water, 50 kwh of electricity, free sanitation and free waste removal equivalent once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained elsewhere in this report.

1.11 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

There will be a policy review workshop during the month of April 2018 so as to make sure all users of it understand it. The following is a broad framework of all the policies the council have:

1.11.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council annually is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. In addition, emphasis was placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, they are entitled to free basic services.

The 2018/19 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 50 per cent on current billings. In addition, the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels.

1.11.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation

of individual capital projects. In addition, the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

1.11.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

1.11.4 Supply Chain Management Policy

The Supply Chain Management Policy was reviewed and adopted by Council in March 2017. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

1.11.5 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations.

1.11.6 Cash Management and Investment Policy

The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

1.11.7 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

All the above policies are available on the website and at the main municipal building, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

1.12 Overview of budget assumptions

1.12.1 External factors

Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank fast and millions of people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven and that growth for 2018 will minimal with a slightly better growth in the outer years.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

1.12.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2018/19 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration.

1.12.3 Credit rating outlook

The Municipality did not perform a credit rating outlook.

1.12.4 Interest rates for borrowing and investment of funds

The municipality will not borrow any funds during the MTREF period. It is expected that interest rates will be adjusted slightly upwards during the MTREF period and it was budget for as such.

1.12.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher that CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (35 per cent) of annual billings. Cash flow is assumed to be 35 per cent of billings. The performance of any increased collections or arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

1.12.6 Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition, the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

1.12.7 Salary increases

An 8% increase have been provided for Councillors, a provision of 9% increase has been made for employee related costs and a 10% increase has been provided for Directors remuneration increase. Employee related costs including Councillor allowances now represent 51% of Total expenditure which is above NT maximum of 40%.The municipality will continue to improve its revenue enhancement and delay filling of non- crucial posts to ensure the percentage is brought down and maintained under control.

1.12.8 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

1.12.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2017/18 MTREF of which performance has been factored into the cash flow budget.

1.13 Overview of budget funding

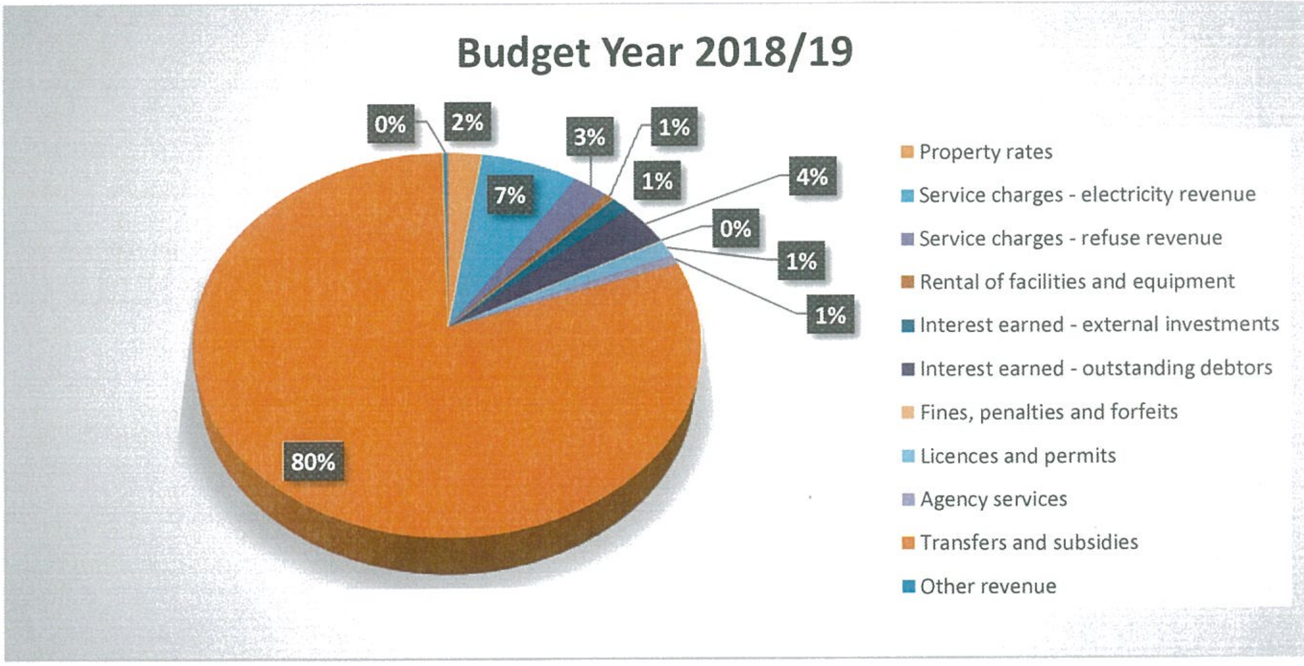
1.13.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Financial Performance										
Property rates	3,719	3,744	4,146	4,302	4,502	–	–	3,615	3,896	4,191
Service charges	11,180	12,036	14,799	14,265	13,522	–	–	14,383	15,297	16,257
Investment revenue	3,350	3,846	2,313	2,538	1,081	–	–	2,045	2,148	2,255
Transfers recognised - operational	112,881	145,190	132,075	123,838	123,139	–	–	122,903	130,951	138,482
Other own revenue	9,097	10,285	8,004	9,649	9,649	–	–	10,479	11,003	11,553
Total Revenue (excluding capital transfers and contributions)	140,226	175,101	161,338	154,592	151,893	–	–	153,426	163,295	172,739

The following graph is a breakdown of the operational revenue per main category for the 2018/19 financial year.

Breakdown of operating revenue over the 2018/19 MTREF



Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as electricity and solid waste removal, property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

Investment revenue contributes significantly to the revenue base of the Municipality. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

1.13.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words, the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

MBRR Table A7 - Budget cash flow statement

EC136 Emalahleni (Ec) - Table A7 Budgeted Cash Flows

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		1,302	1,333	1,676	2,151	3,940			1,265	1,364	1,467
Service charges		8,049	8,333	8,997	7,133	11,832			10,848	11,516	12,218
Other revenue		4,102	4,333	4,980	4,025	4,444			4,461	4,684	4,918
Government - operating	1	112,881	145,190	132,075	123,838	123,139			122,903	130,951	138,482
Government - capital	1	28,981	30,615	26,170	32,358	32,358			42,257	31,848	33,484
Interest		7,280	8,479	7,021	5,146	5,535			3,930	4,127	4,333
Dividends									–	–	–
Payments											
Suppliers and employees		(138,657)	(152,994)	(157,645)	(158,381)	(145,961)			(149,452)	(159,150)	(160,771)
Finance charges		(5,785)	(120)	(1,363)	(657)	(657)			(2,116)	(2,116)	(2,116)
Transfers and Grants	1				(435)	(1,379)			(290)	(290)	(290)
NET CASH FROM/(USED) OPERATING ACTIVITIES		18,153	45,168	21,912	15,178	33,251	–	–	33,807	22,934	31,726
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE			360			115			–	–	–
Decrease (Increase) in non-current debtors									–		
Decrease (increase) other non-current receivables									6,500	2,000	2,000
Decrease (increase) in non-current investments									–	–	–
Payments											
Capital assets		(37,085)	(48,589)	(36,844)	(40,358)	(37,478)			(57,482)	(31,848)	(33,483)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(37,085)	(48,229)	(36,844)	(40,358)	(37,363)	–	–	(50,982)	(29,848)	(31,483)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									–	–	–
Borrowing long term/refinancing					8,000	7,545			15,000	–	–
Increase (decrease) in consumer deposits									–	–	–
Payments											
Repayment of borrowing		(414)	(296)	(353)		(295)			(941)	(1,035)	(1,139)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(414)	(296)	(353)	8,000	7,250	–	–	14,059	(1,035)	(1,139)
NET INCREASE/ (DECREASE) IN CASH HELD		(19,346)	(3,357)	(15,285)	(17,180)	3,138	–	–	(3,116)	(7,949)	(896)
Cash/cash equivalents at the year begin:	2	50,993	31,776	28,419	18,253	13,134			16,270	13,154	5,205
Cash/cash equivalents at the year end:	2	31,776	28,419	13,134	1,073	16,272	–	–	13,154	5,205	4,309

1.13.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

EC136 Emalahleni (Ec) - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash and investments available											
Cash/cash equivalents at the year end	1	31,776	28,419	13,134	1,073	16,272	–	–	13,154	5,205	4,309
Other current investments > 90 days		–	–	(0)	(1)	(2)	–	–	–	0	0
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		**31,776**	**28,419**	**13,134**	**1,072**	**16,270**	–	–	**13,154**	**5,205**	**4,309**
Application of cash and investments											
Unspent conditional transfers		349	1,157	801	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–		–	–	–
Statutory requirements	2										
Other working capital requirements	3	6,337	11,711	7,871	18,055	12,083	–	–	10,495	6,592	6,672
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		**6,686**	**12,868**	**8,671**	**18,055**	**12,083**	–	–	**10,495**	**6,592**	**6,672**
Surplus(shortfall)		**25,091**	**15,551**	**4,462**	**(16,983)**	**4,187**	–	–	**2,659**	**(1,387)**	**(2,363)**

From the above table it can be seen that the cash and investments available total R2.659 million in the 2018/19 financial year and progressively decrease to -R 2.363 million by 2020/21, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued.

- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, resulting in cash flow challenges. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the Capital Replacement Reserve, Employee Benefits Reserves and the Rehabilitation of landfill sites and quarries.

1.13.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

MBRR SA10 – Funding compliance measurement

EC136 Emalahleni (Ec) Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	31,776	28,419	13,134	1,073	16,272	–	–	13,154	5,205	4,309
Cash + investments at the yr end less applications - R'000	18(1)b	2	25,091	15,551	4,462	(16,983)	4,187	–	–	2,659	(1,387)	(2,363)
Cash year end/monthly employee/supplier payments	18(1)b	3	3.3	2.7	1.2	0.1	1.4	–	–	1.1	0.4	0.3
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(13,508)	5,944	1,666	(7,873)	1,710	–	–	13,569	3,331	7,705
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	(0.1%)	14.1%	(8.0%)	(8.9%)	(106.0%)	(6.0%)	(6.1%)	0.6%	0.5%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	56.1%	53.7%	59.2%	47.2%	73.4%	0.0%	0.0%	58.2%	58.2%	58.1%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	91.1%	27.9%	39.1%	40.4%	16.6%	0.0%	0.0%	33.3%	31.3%	29.3%
Capital payments % of capital expenditure	18(1)c;19	8	96.3%	99.4%	100.7%	100.0%	93.9%	0.0%	0.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	98.5%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(24.0%)	9.1%	(13.0%)	14.3%	(100.0%)	0.0%	33.8%	15.6%	10.5%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1.4%	1.8%	1.4%	1.9%	1.5%	0.0%	0.0%	1.2%	1.2%	1.2%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	10.7%	10.8%	0.0%	0.0%	7.8%	53.8%	65.1%

1.13.4.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium-term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

1.13.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in the previous page. the reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

1.13.4.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts.

1.13.4.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs.If the outcome is a deficit, it may indicate that rates and service charges areinsufficient to ensure that the community is making a sufficient contribution towardthe economic benefits they are consuming over the medium term. For the 2018/19 MTREF and outer years the municipality has deficits.

It needs to be noted that a surplus or deficit does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

1.13.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 percent).The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth is higher than forecasted CPIX for the respective financial year of the 2017/18 MTREF which is mainly due to higher electricity tariff increase However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

1.13.4.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 58.2 per cent for 2018/19 and 58.1 percent for the outer financial years. Given that the assumed collection rate was based on an average of 50 per cent performance target, the cash flow statement has been conservatively determined. However, the percentage in the above table includes direct receipts for services being paid in cash such as agency services and permits. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

1.13.4.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at around 31 per cent over the MTREF.

1.13.4.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 100 per cent payments has been factored into the cash position forecasted over the entire financial year.

1.13.4.9 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers and therefore no percentage is being shown as outstanding.

1.13.4.10 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

1.13.4.11 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

1.13.4.12 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

1.14 Expenditure on grants and reconciliations of unspent funds

MBRR SA19 - Expenditure on transfers and grant programmes

EC136 Emalahleni (Ec) - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		108,538	142,996	128,929	121,348	121,348	–	121,856	129,846	137,372
Local Government Equitable Share		92,038	116,537	114,599	115,992	115,992		115,774	120,890	129,098
Finance Management		1,800	1,875	2,010	2,345	2,345		2,415	2,880	3,312
Municipal Systems Improvement		934	930							
EPWP Incentive		1,217	1,000	1,415	1,308	1,308		2,022		
Integrated National Electrification Programme		11,000	21,000	9,317					4,400	3,200
Water Affairs			43							
Municipal Infrastructure Grant		1,549	1,611	1,588	1,703	1,703		1,645	1,676	1,762
Provincial Government:		2,570	881	1,127	900	900	–	952	1,005	1,005
LED		96	31							
Rural Development										
Waste Management		1,343								
Library		1,131	850	1,127	900	900		952	1,005	1,005
District Municipality:		1,773	1,312	2,019	1,500	801	–	–	–	–
Greenest Municipality			200	200						
Cleaning Program		202								
Indigent Application Project			112							
Transport				132						
Feedlot					500	801				
IT Support				200						
Paving		1,465	1,000	1,487	1,000					
Revenue Enhancement		106								
Other grant providers:		–	–	–	90	90	–	–	–	–
SETA					90	90				
Total operating expenditure of Transfers and Grants		112,880	145,190	132,075	123,838	123,139	–	122,808	130,851	138,377
Capital expenditure of Transfers and Grants										
National Government:		30,142	30,615	23,170	32,358	32,358	–	42,257	31,847	33,484
Municipal Infrastructure Grant (MIG)		30,142	30,615	23,170	32,358	32,358		42,257	31,847	33,484
Provincial Government:		257	–	3,000	–	–	–	–	–	–
Roads				3,000						
Waste Management		257								
District Municipality:		–	–	–	–	–	–	–	–	–
Other grant providers:		–	–	–	–	–	–	95	100	105
SETA								95	100	105
Total capital expenditure of Transfers and Grants		30,399	30,615	26,170	32,358	32,358	–	42,352	31,947	33,589
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		143,280	175,804	158,245	156,196	155,497	–	165,160	162,798	171,966

MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Operating transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year		764	43							
Current year receipts		107,817	142,953	128,929	121,348	121,348		121,856	129,846	137,372
Conditions met - transferred to revenue		108,538	142,996	128,929	121,348	121,348	–	121,856	129,846	137,372
Conditions still to be met - transferred to liabilities		43								
Provincial Government:										
Balance unspent at beginning of the year		728	306	227						
Current year receipts		2,146	1,733	900	900	900		952	1,005	1,005
Conditions met - transferred to revenue		2,568	881	1,127	900	900	–	952	1,005	1,005
Conditions still to be met - transferred to liabilities		306	1,157							
District Municipality:										
Balance unspent at beginning of the year		275								
Current year receipts		1,500	1,312	2,333	1,500	801				
Conditions met - transferred to revenue		1,775	1,312	2,019	1,500	801	–	–	–	–
Conditions still to be met - transferred to liabilities				314						
Other grant providers:										
Balance unspent at beginning of the year			–							
Current year receipts		–	–	–	90	90		95	100	105
Conditions met - transferred to revenue		–	–	–	90	90	–	95	100	105
Conditions still to be met - transferred to liabilities										
Total operating transfers and grants revenue		112,881	145,190	132,075	123,838	123,139	–	122,903	130,951	138,482
Total operating transfers and grants - CTBM	2	349	1,157	314	–	–	–	–	–	–
Capital transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year										
Current year receipts		30,142	30,615	23,170	32,358	32,358		42,257	31,848	33,484
Conditions met - transferred to revenue		30,142	30,615	23,170	32,358	32,358	–	42,257	31,848	33,484
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts		257	–	1,795	–					
Conditions met - transferred to revenue		257	–	3,000	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities				(1,205)						
District Municipality:										
Balance unspent at beginning of the year					–					
Current year receipts		–	–	–						
Conditions met - transferred to revenue		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year			–							
Current year receipts					–					
Conditions met - transferred to revenue		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities										
Total capital transfers and grants revenue		30,399	30,615	26,170	32,358	32,358	–	42,257	31,848	33,484
Total capital transfers and grants - CTBM	2	–	–	(1,205)	–	–	–	–	–	–
TOTAL TRANSFERS AND GRANTS REVENUE		143,280	175,804	158,245	156,196	155,497	–	165,160	162,799	171,966
TOTAL TRANSFERS AND GRANTS - CTBM		349	1,157	(891)	–	–	–	–	–	–

1.15 Councillor and employee benefits

MBRR SA22 - Summary of councillor and staff benefits

EC136 Emalahleni (Ec) - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages					11,218	11,178		12,072	13,038	14,081
Pension and UIF Contributions					–	–		–	–	–
Medical Aid Contributions					–	–		–	–	–
Motor Vehicle Allowance					–	–		–	–	–
Cellphone Allowance					853	1,510		1,630	1,761	1,902
Housing Allowances					–	–		–	–	–
Other benefits and allowances					–	–		–	–	–
Sub Total - Councillors		–	–	–	12,071	12,688	–	13,703	14,799	15,983
% increase	4		–	–	–	5.1%	(100.0%)	–	8.0%	8.0%
Senior Managers of the Municipality	2									
Basic Salaries and Wages					8,394	8,661		9,324	10,070	10,876
Pension and UIF Contributions					11	11		11	12	12
Medical Aid Contributions					–	–		–	–	–
Overtime					–	–		–	–	–
Performance Bonus					1,138	1,187		1,305	1,410	1,523
Motor Vehicle Allowance	3				–	–		–	–	–
Cellphone Allowance	3				–	–		–	–	–
Housing Allowances	3				–	–		–	–	–
Other benefits and allowances	3				78	49		71	71	71
Payments in lieu of leave					–	–		–	–	–
Long service awards					–	–		–	–	–
Post-retirement benefit obligations	6				587	587		–	–	–
Sub Total - Senior Managers of Municipality		–	–	–	10,208	10,494	–	10,711	11,562	12,481
% increase	4		–	–	–	2.8%	(100.0%)	–	7.9%	8.0%
Other Municipal Staff										
Basic Salaries and Wages					52,441	49,626		56,039	59,107	63,501
Pension and UIF Contributions					7,880	7,608		8,393	9,042	9,765
Medical Aid Contributions					2,529	2,504		2,497	2,696	2,912
Overtime					1,280	1,260		2,040	2,040	2,040
Performance Bonus					–	–		–	–	–
Motor Vehicle Allowance	3				3,309	3,341		3,815	4,120	4,450
Cellphone Allowance	3				255	333		629	679	733
Housing Allowances	3				114	195		218	235	254
Other benefits and allowances	3				480	401		754	771	790
Payments in lieu of leave					150	150		300	300	300
Long service awards					280	280		560	560	560
Post-retirement benefit obligations	6				100	100		100	100	100
Sub Total - Other Municipal Staff		–	–	–	68,818	65,798	–	75,344	79,651	85,404
% increase	4		–	–	–	(4.4%)	(100.0%)	–	5.7%	7.2%
Total Parent Municipality		–	–	–	91,097	88,979	–	99,757	106,012	113,868
			–	–	–	(2.3%)	(100.0%)	–	6.3%	7.4%
TOTAL SALARY, ALLOWANCES & BENEFITS		–	–	–	91,097	88,979	–	99,757	106,012	113,868
% increase	4		–	–	–	(2.3%)	(100.0%)	–	6.3%	7.4%
TOTAL MANAGERS AND STAFF	5,7	–	–	–	79,026	76,292	–	86,055	91,213	97,886

MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

EC136 Emalahleni (Ec) - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1. Rand per annum	Ref	No.	Salary	Contributions 1.	Allowances	Performance Bonuses	In-kind benefits	Total Package 2.
Councillors	3							
Speaker	4		687,669	–	47,952			735,621
Chief Whip			359,659	–	47,952			407,611
Executive Mayor			859,586	–	47,952			907,538
Deputy Executive Mayor			–	–	–			–
Executive Committee			2,938,423	–	239,760			3,178,183
Total for all other councillors			7,226,855	–	1,246,752			8,473,607
Total Councillors	8	–	12,072,192	–	1,630,368			13,702,560
Senior Managers of the Municipality	5							
Municipal Manager (MM)			1,948,717	1,785	101	272,820		2,223,424
Chief Finance Officer			1,526,333	1,785	101	213,687		1,741,906
Director: Corporate Services			1,462,235	1,785	99	204,713		1,668,832
Director: IDHS			1,462,235	1,785	70,101	204,713		1,738,834
Director:Community Service			1,462,235	1,785	101	204,713		1,668,834
Director: EDTA			1,462,235	1,785	198	204,713		1,668,931
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	–	21,396,184	10,708	1,701,071	1,305,359		24,413,321

MBRR SA24– Summary of personnel numbers

EC136 Emalahleni (Ec) - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers	Ref	2016/17			Current Year 2017/18			Budget Year 2018/19		
Number	1,2	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)		34	–	34	34	–	34	34	–	34
Board Members of municipal entities	4									
Municipal employees	5									
Municipal Manager and Senior Managers	3	6	–	6	6	–	6	6	–	6
Other Managers	7	11	10	1	11	10	1	13	12	1
Professionals		*44*	*42*	*2*	*44*	*42*	*2*	*44*	*44*	*2*
Finance		3	3	–	3	3	–	3	3	–
Spatial/town planning		1	1	–	1	1	–	1	1	–
Information Technology		1	1	–	1	1	–	1	1	–
Roads		1	1	–	1	1	–	1	1	–
Electricity		1	1	–	1	1	–	1	1	–
Water		–	–	–	–	–	–	–	–	–
Sanitation		–	–	–	–	–	–	–	–	–
Refuse		1	1	–	1	1	–	1	1	–
Other		36	34	2	36	34	2	36	36	–
Technicians		*15*	*15*	–	*15*	*15*	–	*15*	*15*	–
Finance		7	7	–	7	7	–	7	7	–
Spatial/town planning		1	1	–	1	1	–	1	1	–
Information Technology		1	1	–	1	1	–	1	1	–
Roads		1	1	–	1	1	–	1	1	–
Electricity		1	1	–	1	1	–	1	1	–
Water		–	–	–	–	–	–	–	–	–
Sanitation		–	–	–	–	–	–	–	–	–
Refuse		1	1	–	1	1	–	22	22	–
Other		3	3	–	3	3	–	3	3	–
Clerks (Clerical and administrative)		40	40	–	40	40	–	40	40	–
Service and sales workers		–	–	–	–	–	–	–	–	–
Skilled agricultural and fishery workers		1	1	–	1	1	–	1	1	–
Craft and related trades		–	–	–	–	–	–	–	–	–
Plant and Machine Operators		5	5	–	5	5	–	5	5	–
Elementary Occupations		85	85	2	85	83	2	85	80	–
TOTAL PERSONNEL NUMBERS	9	241	198	45	241	196	45	277	234	43
% increase					–	(1.0%)	–	–	–	–
Total municipal employees headcount	6, 10	241	196	45	241	196	45	241	196	45
Finance personnel headcount	8, 10	24	24	–	24	24	–	24	24	–
Human Resources personnel headcount	8, 10	8	8	–	8	8	–	8	8	–

1.16 Monthly targets for revenue, expenditure and cash flow

MBRR SA25 - Budgeted monthly revenue and expenditure

EC136 Emalahleni (Ec) - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source																
Property rates		301	301	301	301	301	301	301	301	301	301	301	301	3,615	3,896	4,191
Service charges - electricity revenue		881	881	881	881	881	881	881	881	881	881	881	881	10,570	11,204	11,869
Service charges - water revenue		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue		318	318	318	318	318	318	318	318	318	318	318	318	3,813	4,093	4,388
Service charges - other		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		81	81	81	81	81	81	81	81	81	81	81	81	973	1,022	1,073
Interest earned - external investments		170	170	170	170	170	170	170	170	170	170	170	170	2,045	2,148	2,255
Interest earned - outstanding debtors		449	449	449	449	449	449	449	449	449	449	449	449	5,386	5,655	5,938
Dividends received		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		9	9	9	9	9	9	9	9	9	9	9	9	110	115	121
Licences and permits		179	179	179	179	179	179	179	179	179	179	179	179	2,145	2,252	2,364
Agency services		109	109	109	109	109	109	109	109	109	109	109	109	1,313	1,379	1,447
Transfers and subsidies		40,968					40,968				40,968		–	122,903	130,951	138,482
Other revenue		46	46	46	46	46	46	46	46	46	46	46	46	554	581	610
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and cont		43,511	2,544	2,544	2,544	2,544	43,511	2,544	2,544	2,544	43,511	2,544	2,544	153,426	163,295	172,739
Expenditure By Type																
Employee related costs		7,171	7,171	7,171	7,171	7,171	7,171	7,171	7,171	7,171	7,171	7,171	7,171	86,055	91,213	97,886
Remuneration of councillors		1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142	13,703	14,799	15,983
Debt impairment		500	500	500	500	500	500	500	500	500	500	500	500	6,000	6,000	6,000
Depreciation & asset impairment		2,021	2,021	2,021	2,021	2,021	2,021	2,021	2,021	2,021	2,021	2,021	2,021	24,256	24,256	24,256
Finance charges		176	176	176	176	176	176	176	176	176	176	176	176	2,116	2,116	2,116
Bulk purchases		1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256	15,070	15,070	15,070
Other materials		275	275	275	275	275	275	275	275	275	275	275	275	3,296	2,496	2,496
Contracted services		951	951	951	951	951	951	951	951	951	951	951	951	11,414	15,612	14,412
Transfers and subsidies		24	24	24	24	24	24	24	24	24	24	24	24	290	290	290
Other expenditure		1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660	19,915	19,960	20,009
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Expenditure		15,176	15,176	15,176	15,176	15,176	15,176	15,176	15,176	15,176	15,176	15,176	15,176	182,114	191,812	198,518
Surplus/(Deficit)		28,335	(12,633)	(12,633)	(12,633)	(12,633)	28,335	(12,633)	(12,633)	(12,633)	28,335	(12,633)	(12,633)	(28,688)	(28,517)	(25,779)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		14,086					14,086				14,086		–	42,257	31,848	33,484
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)													–	–	–	–
Transfers and subsidies - capital (in-kind - all)													–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		42,421	(12,633)	(12,633)	(12,633)	(12,633)	42,421	(12,633)	(12,633)	(12,633)	42,421	(12,633)	(12,633)	13,569	3,331	7,705

MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

EC136 Emalahleni (Ec) - Supporting Table SA27 Budgeted monthly revenue and expenditure (functional classification)

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue - Functional																
Governance and administration		40,089	661	661	661	661	40,089	661	661	661	40,089	661	661	126,218	132,301	141,467
Executive and council		2,338	–	–	–	–	2,338	–	–	–	2,338	–	–	7,015	7,362	7,711
Finance and administration		37,751	661	661	661	661	37,751	661	661	661	37,751	661	661	119,203	124,939	133,756
Internal audit													–	–	–	–
Community and public safety		338	20	20	20	20	338	20	20	20	338	20	20	1,194	1,259	1,272
Community and social services		328	11	11	11	11	328	11	11	11	328	11	11	1,084	1,144	1,151
Sport and recreation		7	7	7	7	7	7	7	7	7	7	7	7	84	88	93
Public safety													–	–	–	–
Housing		2	2	2	2	2	2	2	2	2	2	2	2	26	27	28
Health													–	–	–	–
Economic and environmental services		15,399	91	91	91	91	15,397	91	91	91	15,399	91	93	47,017	34,671	36,451
Planning and development		15,310	2	2	2	2	15,308	2	2	2	15,310	2	4	45,951	33,552	35,275
Road transport		89	89	89	89	89	89	89	89	89	89	89	89	1,066	1,119	1,175
Environmental protection													–	–	–	–
Trading services		1,487	1,487	1,487	1,487	1,487	1,487	1,487	1,487	1,487	1,487	1,487	1,487	17,840	23,328	23,269
Energy sources		904	904	904	904	904	904	904	904	904	904	904	904	10,851	15,898	15,378
Water management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste management		582	582	582	582	582	582	582	582	582	582	582	582	6,990	7,429	7,891
Other		284	284	284	284	284	284	284	284	284	284	284	284	3,413	3,584	3,763
Total Revenue - Functional		57,597	2,544	2,544	2,544	2,544	57,595	2,544	2,544	2,544	57,597	2,544	2,546	195,683	195,143	206,222
Expenditure - Functional																
Governance and administration		7,429	7,429	7,429	7,429	7,429	7,429	7,429	7,429	7,429	7,429	7,429	7,429	89,149	93,541	98,285
Executive and council		2,539	2,539	2,539	2,539	2,539	2,539	2,539	2,539	2,539	2,539	2,539	2,539	30,468	32,433	34,555
Finance and administration		4,703	4,703	4,703	4,703	4,703	4,703	4,703	4,703	4,703	4,703	4,703	4,703	56,431	58,713	61,177
Internal audit		188	188	188	188	188	188	188	188	188	188	188	188	2,250	2,396	2,553
Community and public safety		1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	12,549	13,282	14,073
Community and social services		644	644	644	644	644	644	644	644	644	644	644	644	7,723	8,192	8,698
Sport and recreation		192	192	192	192	192	192	192	192	192	192	192	192	2,300	2,378	2,462
Public safety		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Housing		211	211	211	211	211	211	211	211	211	211	211	211	2,526	2,712	2,912
Health		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Economic and environmental services		3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	44,144	43,295	44,561
Planning and development		3,147	3,147	3,147	3,147	3,147	3,147	3,147	3,147	3,147	3,147	3,147	3,147	37,762	38,750	39,818
Road transport		532	532	532	532	532	532	532	532	532	532	532	532	6,383	4,545	4,743
Environmental protection													–	–	–	–
Trading services		2,767	2,767	2,767	2,767	2,767	2,767	2,767	2,767	2,767	2,767	2,767	2,767	33,206	38,437	38,136
Energy sources		1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	19,893	24,497	23,517
Water management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste water management		118	118	118	118	118	118	118	118	118	118	118	118	1,413	1,515	1,625
Waste management		992	992	992	992	992	992	992	992	992	992	992	992	11,900	12,426	12,994
Other		256	256	256	256	256	256	256	256	256	256	256	256	3,066	3,257	3,463
Total Expenditure - Functional		15,176	15,176	15,176	15,176	15,176	15,176	15,176	15,176	15,176	15,176	15,176	15,176	182,114	191,812	198,518
Surplus/(Deficit) before assoc.		42,421	(12,633)	(12,633)	(12,633)	(12,633)	42,419	(12,633)	(12,633)	(12,633)	42,421	(12,633)	(12,630)	13,569	3,331	7,705
Share of surplus/ (deficit) of associate													–	–	–	–
Surplus/(Deficit)	1	42,421	(12,633)	(12,633)	(12,633)	(12,633)	42,419	(12,633)	(12,633)	(12,633)	42,421	(12,633)	(12,630)	13,569	3,331	7,705

BRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

EC136 Emalahleni (Ec) - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue by Vote																
Vote 1 - Executive and Council		2,338	–	–	–	–	2,338	–	–	–	2,338	–	–	7,015	7,362	7,711
Vote 2 - Corporate Services		32					32				32		–	95	100	105
Vote 3 - Budget and Treasury		37,719	661	661	661	661	37,719	661	661	661	37,719	661	661	119,108	124,839	133,651
Vote 4 - Economic Development Tourism and Agricul		0	0	0	0	0	0	0	0	0	0	0	0	5	6	6
Vote 5 - Community and Social Services		1,291	973	973	973	973	1,291	973	973	973	1,291	973	973	12,633	13,360	14,067
Vote 6 - Infrastructure and Human Settlement (IDHS)		16,217	909	909	909	909	16,217	909	909	909	16,217	909	909	56,827	49,477	50,682
Total Revenue by Vote		57,597	2,544	2,544	2,544	2,544	57,597	2,544	2,544	2,544	57,597	2,544	2,544	195,683	195,143	206,222
Expenditure by Vote to be appropriated																
Vote 1 - Executive and Council		2,762	2,762	2,762	2,762	2,762	2,762	2,762	2,762	2,762	2,762	2,762	2,762	33,147	35,290	37,605
Vote 2 - Corporate Services		1,389	1,389	1,389	1,389	1,389	1,389	1,389	1,389	1,389	1,389	1,389	1,389	16,670	17,586	18,576
Vote 3 - Budget and Treasury		2,556	2,556	2,556	2,556	2,556	2,556	2,556	2,556	2,556	2,556	2,556	2,556	30,674	31,691	32,788
Vote 4 - Economic Development Tourism and Agricul		496	496	496	496	496	496	496	496	496	496	496	496	5,949	6,340	6,763
Vote 5 - Community and Social Services		2,887	2,887	2,887	2,887	2,887	2,887	2,887	2,887	2,887	2,887	2,887	2,887	34,648	36,294	38,071
Vote 6 - Infrastructure and Human Settlement (IDHS)		5,086	5,086	5,086	5,086	5,086	5,086	5,086	5,086	5,086	5,086	5,086	5,086	61,026	64,611	64,715
Total Expenditure by Vote		15,176	15,176	15,176	15,176	15,176	15,176	15,176	15,176	15,176	15,176	15,176	15,176	182,114	191,812	198,518
Surplus/(Deficit) before assoc.		42,421	(12,633)	(12,633)	(12,633)	(12,633)	42,421	(12,633)	(12,633)	(12,633)	42,421	(12,633)	(12,633)	13,569	3,331	7,705
Taxation													–	–	–	–
Attributable to minorities													–	–	–	–
Share of surplus/ (deficit) of associate													–	–	–	–
Surplus/(Deficit)	1	42,421	(12,633)	(12,633)	(12,633)	(12,633)	42,421	(12,633)	(12,633)	(12,633)	42,421	(12,633)	(12,633)	13,569	3,331	7,705

MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

EC136 Emalahleni (Ec) - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Multi-year expenditure *to be appropriated*	1															
Vote 1 - Executive and Council													–	–	–	–
Vote 2 - Corporate Services		1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	15,000	–	–
Vote 3 - Budget and Treasury													–	–	–	–
Vote 4 - Economic Development Tourism and Agriculture (EDTA)													–	–	–	–
Vote 5 - Community and Social Services		973	973	973	973	973	973	973	973	973	973	973	973	11,670	14,718	10,000
Vote 6 - Infrastructure and Human Settlement (IDHS)													–	–	17,130	16,809
Capital multi-year expenditure sub-total	2	2,223	2,223	2,223	2,223	2,223	2,223	2,223	2,223	2,223	2,223	2,223	2,223	26,670	31,848	26,809
Single-year expenditure *to be appropriated*																
Vote 1 - Executive and Council													–	–	–	–
Vote 2 - Corporate Services													–	–	–	–
Vote 3 - Budget and Treasury													–	–	–	–
Vote 4 - Economic Development Tourism and Agriculture (EDTA)													–	–	–	–
Vote 5 - Community and Social Services		2,273	2,273	2,273	2,273	2,273	2,273	2,273	2,273	2,273	2,273	2,273	2,273	27,279	–	–
Vote 6 - Infrastructure and Human Settlement (IDHS)		294	294	294	294	294	294	294	294	294	294	294	297	3,533	–	6,674
Capital single-year expenditure sub-total	2	2,567	2,567	2,567	2,567	2,567	2,567	2,567	2,567	2,567	2,567	2,567	2,571	30,812	–	6,674
Total Capital Expenditure	2	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,793	57,482	31,848	33,483

MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

EC136 Emalahleni (Ec) - Supporting Table SA29 Budgeted monthly capital expenditure (functional classification)

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital Expenditure - Functional	1															
Governance and administration		1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	15,000	–	–
Executive and council													–	–	–	–
Finance and administration		1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	15,000	–	–
Internal audit													–	–	–	–
Community and public safety		3,179	3,179	3,179	3,179	3,179	3,179	3,179	3,179	3,179	3,179	3,179	3,179	38,149	11,918	11,674
Community and social services		1,598	1,598	1,598	1,598	1,598	1,598	1,598	1,598	1,598	1,598	1,598	1,598	19,170	8,918	11,674
Sport and recreation		1,582	1,582	1,582	1,582	1,582	1,582	1,582	1,582	1,582	1,582	1,582	1,582	18,979	3,000	–
Public safety													–	–	–	–
Housing													–	–	–	–
Health													–	–	–	–
Economic and environmental services		228	228	228	228	228	228	228	228	228	228	228	228	2,733	17,130	16,809
Planning and development													–	–	–	–
Road transport		228	228	228	228	228	228	228	228	228	228	228	228	2,733	17,130	16,809
Environmental protection													–	–	–	–
Trading services		133	133	133	133	133	133	133	133	133	133	133	133	1,600	2,800	5,000
Energy sources													–	–	–	5,000
Water management													–	–	–	–
Waste water management													–	–	–	–
Waste management		133	133	133	133	133	133	133	133	133	133	133	133	1,600	2,800	–
Other													–	–	–	–
Total Capital Expenditure - Functional	2	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	57,482	31,848	33,483
Funded by:																
National Government		14,086					14,086				14,086		(0)	42,257	31,848	33,483
Provincial Government													–	–	–	–
District Municipality													–	–	–	–
Other transfers and grants													–	–	–	–
Transfers recognised - capital		14,086	–	–	–	–	14,086	–	–	–	14,086	–	(0)	42,257	31,848	33,483
Public contributions & donations													–	–	–	–
Borrowing											15,000		–	15,000	–	–
Internally generated funds												225	–	225	–	–
Total Capital Funding		14,086	–	–	–	–	14,086	–	–	–	29,086	225	(0)	57,482	31,848	33,483

MBRR SA30 - Budgeted monthly cash

EC136 Emalahleni (Ec) - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash Receipts By Source															
Property rates	105	105	105	105	105	105	105	105	105	105	105	105	1,265	1,364	1,467
Service charges - electricity revenue	793	793	793	793	793	793	793	793	793	793	793	793	9,513	10,083	10,682
Service charges - water revenue	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	111	111	111	111	111	111	111	111	111	111	111	111	1,334	1,433	1,536
Service charges - other	–	–	–	–	–	–	–	–	–	–	–	–			
Rental of facilities and equipment	28	28	28	28	28	28	28	28	28	28	28	28	341	358	375
Interest earned - external investments	170	170	170	170	170	170	170	170	170	170	170	170	2,045	2,148	2,255
Interest earned - outstanding debtors	157	157	157	157	157	157	157	157	157	157	157	157	1,885	1,979	2,078
Dividends received	–	–	–	–	–	–	–	–	–	–	–	–			
Fines, penalties and forfeits	9	9	9	9	9	9	9	9	9	9	9	9	110	115	121
Licences and permits	179	179	179	179	179	179	179	179	179	179	179	179	2,145	2,252	2,364
Agency services	109	109	109	109	109	109	109	109	109	109	109	109	1,313	1,379	1,447
Transfer receipts - operational	40,968					40,968				40,968		–	122,903	130,951	138,482
Other revenue	46	46	46	46	46	46	46	46	46	46	46	46	554	581	610
Cash Receipts by Source	**42,677**	**1,709**	**1,709**	**1,709**	**1,709**	**42,677**	**1,709**	**1,709**	**1,709**	**42,677**	**1,709**	**1,709**	**143,408**	**152,642**	**161,419**
Other Cash Flows by Source															
Transfer receipts - capital	14,086					14,086				14,086		–	42,257	31,848	33,484
Proceeds on disposal of PPE												–			
Short term loans												–			
Borrowing long term/refinancing										15,000		–	15,000		
Decrease (increase) other non-current receivable	6,500											–	6,500	2,000	2,000
Decrease (increase) in non-current investments												–			
Total Cash Receipts by Source	**63,262**	**1,709**	**1,709**	**1,709**	**1,709**	**56,762**	**1,709**	**1,709**	**1,709**	**71,762**	**1,709**	**1,709**	**207,165**	**186,490**	**196,902**
Cash Payments by Type															
Employee related costs	7,171	7,171	7,171	7,171	7,171	7,171	7,171	7,171	7,171	7,171	7,171	7,171	86,055	91,213	97,886
Remuneration of councillors	1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142	13,703	14,799	15,983
Finance charges	176	176	176	176	176	176	176	176	176	176	176	176	2,116	2,116	2,116
Bulk purchases - Electricity	1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256	15,070	15,070	15,070
Bulk purchases - Water & Sewer	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other materials	275	275	275	275	275	275	275	275	275	275	275	275	3,296	2,496	2,496
Contracted services	951	951	951	951	951	951	951	951	951	951	951	951	11,414	15,612	14,412
Transfers and grants - other municipalities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers and grants - other	24	24	24	24	24	24	24	24	24	24	24	24	290	290	290
Other expenditure	1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660	19,915	19,960	20,009
Cash Payments by Type	**12,655**	**12,655**	**12,655**	**12,655**	**12,655**	**12,655**	**12,655**	**12,655**	**12,655**	**12,655**	**12,655**	**12,655**	**151,858**	**161,556**	**168,262**
Other Cash Flows/Payments by Type															
Capital assets	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	57,482	31,848	33,483
Repayment of borrowing						471						471	941	1,035	1,139
Other Cash Flows/Payments												–			(5,085)
Total Cash Payments by Type	**17,445**	**17,445**	**17,445**	**17,445**	**17,445**	**17,916**	**17,445**	**17,445**	**17,445**	**17,445**	**17,445**	**17,916**	**210,281**	**194,439**	**197,798**
NET INCREASE/(DECREASE) IN CASH HELD	45,817	(15,736)	(15,736)	(15,736)	(15,736)	38,847	(15,736)	(15,736)	(15,736)	54,317	(15,736)	(16,207)	(3,116)	(7,949)	(896)
Cash/cash equivalents at the month/year begin:	16,270	62,087	46,351	30,615	14,878	(858)	37,989	22,252	6,516	(9,220)	45,097	29,361	16,270	13,154	5,205
Cash/cash equivalents at the month/year end:	62,087	46,351	30,615	14,878	(858)	37,989	22,252	6,516	(9,220)	45,097	29,361	13,154	13,154	5,205	4,309

MBRR SA33 - Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

1.17 Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

SA36 - Detailed capital budget per municipal vote

EC136 Emalahleni (Ec) - Supporting Table SA36 Detailed capital budget

Municipal Vote/Capital project	Ref	Program/Project description	Total Project Estimate	Prior year outcomes		2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	4			Audited Outcome 2016/17	Current Year 2017/18 Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Parent municipality: *List all capital projects grouped by Municipal Vote*								
EC136_0500_MIG:TRAFFIC STATION	_0500	MIG:TRAFFIC STATION	7,516			7,500		
EC136_0501_ASSET: COUNCIL: BUILDING NEW OFFICES PHASE 2	_0501	ASSET: COUNCIL: BUILDING NEW OFFICES PHASE 2	34,500		4,000	15,000		
EC136_0503_ASSET: CORPORATE SERVICES - COMPUTERS & CAMERAS	_0503	ASSET: CORPORATE SERVICES - COMPUTERS & CAMERAS			250			
EC136_0506_MIG :PAVING DDX ROADS	_0506	MIG :PAVING DDX ROADS			1,144			
EC136_0506_MIG :PAVING DDX ROADS	_0506	MIG :PAVING DDX ROADS			127			
EC136_0507_MIG:PAVING INDWE ROADS	_0507	MIG:PAVING INDWE ROADS			4,668			
EC136_0507_MIG:PAVING INDWE ROADS	_0507	MIG:PAVING INDWE ROADS	8,114		519		8,114	
EC136_0511_MIG:SHEARING SHED	_0511	MIG: CONSTRUCTION OF KWADUKATHOLE SHEARING SHED	1,844		1,169	1,200	1,300	
EC136_0518_ASSET: ELECTRICITY SERVICES - TRANSFORMERS	_0518	ASSET: ELECTRICITY SERVICES - TRANSFORMERS	225		225	225		
EC136_0521_MIG: LF MULTI-PURPOSE CENTRE	_0521	MIG: LF MULTI-PURPOSE CENTRE	36,750			10,471	5,918	10,000
EC136_0522_MIG:INDWE SPORTSFIELD	_0522	MIG:INDWE SPORTSFIELD	11,000			11,000		
EC136_0525_MIG: CACADU EXT ACCESS ROAD	_0525	MIG: ACCESS ROAD MAQWATHINI AND THEMBELIHLE ROAD	3,307		996	3,307		
EC136_0528_MIG: LF STADIUM PHASE 3	_0528	MIG: LF STADIUM PHASE 3	7,979			7,979		
EC136_0529_MIG: REHAB OF LANDFILL SITE	_0529	MIG: REHAB OF LANDFILL SITE	800			800		
EC136_0530_NETWORK INFRASTRUCTURE	_0530	NETWORK INFRASTRUCTURE			450			
EC136_0531_ASSET: PURCHASING - VEHICLES	_0531	ASSET: CORPORATE SERVICES - VEHICLES			1,305			
EC136_0532_ASSET: AMPHITHEATRE	_0532	ASSET: AMPHITHEATRE			300			
EC136_0534_ASSET: UPGRADE HARRY GWALA COMM HALL	_0534	ASSET: UPGRADE HARRY GWALA COMM HALL			250			
EC136_0535_ASSET: AIR CONDITIONER	_0535	ASSET: AIR CONDITIONER			175			
EC136_0538_MIG: LF PARK PHASE 2	_0538	MIG: LF PARK PHASE 2	3,000				3,000	
EC136_0540_MIG: PAVING OF ROADS	_0540	MIG: PAVING OF MAVUYA LOCATION	9,016				9,016	5,603
EC136_0540_MIG: PAVING OF ROADS	_0540	MIG: PAVING OF SINAKHO LOCATION	5,603					5,603
EC136_0542_MIG: PAVING OF ROADS	_0542	MIG: PAVING OF ZAKHELE LOCATION PHASE2	5,603					5,603
EC136_0543_MIG: SOLAR STREET LIGHTS DORDRECHT ZOLA	_0543	MIG: SOLAR STREET LIGHTS DORDRECHT ZOLA	1,667					1,667
EC136_0543_MIG: SOLAR STREET LIGHTS CACADU -POST OFFICE & MPANGELE S	_0543	MIG: SOLAR STREET LIGHTS CACADU -POST OFFICE & MPANGELE STR	1,667					1,667
EC136_0543_MIG: SOLAR STREET LIGHTS IN INDWE -EZITANDINI WARD 16	_0543	MIG: SOLAR STREET LIGHTS IN INDWE -EZITANDINI WARD 16	1,667					1,667
EC136_0544_MIG: CEMETERAY DEVELOVEMENT INDWE (WARD 17)	_0544	MIG: CEMETERAY DEVELOVEMENT INDWE (WARD 17)	1,674					1,674
EC136_0541_MIG: SPORTSFIELD DDX	_0541	MIG: SPORTSFIELD DDX	3,000				3,000	
EC136_0545_MIG: CONSTRUCTION OF LANDFILL SITE (WARD 4)	_0545	MIG: CONSTRUCTION OF LANDFILL SITE (WARD 4)	1,500				1,500	
Parent Capital expenditure	1				39,903	57,482	31,848	33,483

1.18 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
   Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved.

2. Internship programme
   The Municipality is participating in the Municipal Financial Management Internship programme and has employed six interns undergoing training in various divisions of the Financial Services Department. Of the five interns two have already been appointed permanently.

3. Budget and Treasury Office
   The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee
   An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan
   The detail SDBIP document is at a draft stage and will be finalised after approval of the 2018/19 MTREF in May 2018 directly aligned and informed by the 2018/19 MTREF.

6. Annual Report
   Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training
   The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

8. Policies
   An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

BRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

EC136 Emalahleni (Ec) - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)

Description	Ref	Vote 1 - Executive and Council	Vote 2 - Corporate Services	Vote 3 - Budget and Treasury	Vote 4 - Economic Development Tourism and	Vote 5 - Community and Social Services	Vote 6 - Infrastructur e and Human	Total
R thousand	1							
Revenue By Source								
Property rates		–	–	3,615	–	–	–	3,615
Service charges - electricity revenue		–	–	–	–	–	10,570	10,570
Service charges - water revenue		–	–	–	–	–	–	–
Service charges - sanitation revenue		–	–	–	–	–	–	–
Service charges - refuse revenue		–	–	–	–	3,813	–	3,813
Service charges - other		–	–	–	–	–	–	–
Rental of facilities and equipment		–	–	–	–	973	1	973
Interest earned - external investments		–	–	2,045	–	–	–	2,045
Interest earned - outstanding debtors		–	–	1,748	–	3,357	281	5,386
Dividends received		–	–	–	–	–	–	–
Fines, penalties and forfeits		–	–	–	–	110	–	110
Licences and permits		–	–	–	–	2,144	1	2,145
Agency services		–	–	70	–	1,243	–	1,313
Other revenue		–	–	455	5	42	51	554
Transfers and subsidies		7,015	95	111,174	–	952	3,667	122,903
Gains on disposal of PPE		–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and cont		**7,015**	**95**	**119,108**	**5**	**12,633**	**14,570**	**153,426**
Expenditure By Type								
Employee related costs		13,123	11,377	14,517	5,149	23,828	18,060	86,055
Remuneration of councillors		13,703	–	–	–	–	–	13,703
Debt impairment		–	–	3,500	–	2,000	500	6,000
Depreciation & asset impairment		–	894	–	–	981	22,382	24,256
Finance charges		–	157	1,959	–	–	–	2,116
Bulk purchases		–	–	–	–	–	15,070	15,070
Other materials		456	105	30	125	780	1,800	3,296
Contracted services		881	1,105	2,551	70	5,096	1,712	11,414
Transfers and subsidies		100	–	–	190	–	–	290
Other expenditure		4,885	3,032	8,118	415	1,963	1,502	19,915
Loss on disposal of PPE		–	–	–	–	–	–	–
Total Expenditure		**33,147**	**16,670**	**30,674**	**5,949**	**34,648**	**61,026**	**182,114**
Surplus/(Deficit)		**(26,132)**	**(16,574)**	**88,434**	**(5,944)**	**(22,015)**	**(46,456)**	**(28,688)**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		–	–	–	–	–	42,257	42,257
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)								–
Transfers and subsidies - capital (in-kind - all)								–
Surplus/(Deficit) after capital transfers & contributions		**(26,132)**	**(16,574)**	**88,434**	**(5,944)**	**(22,015)**	**(4,199)**	**13,569**

MBRR Table SA3 – Supporting detail to Statement of Financial Position

EC136 Emalahleni (Ec) - Supporting Table SA3 Supportinging detail to 'Budgeted Financial Position'

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
ASSETS											
Call investment deposits											
Call deposits		28,563	26,023	10,260							
Other current investments											
Total Call investment deposits	2	**28,563**	**26,023**	**10,260**	–	–	–	–	–	–	–
Consumer debtors											
Consumer debtors		70,598	65,893	63,349	80,078	44,036			79,889	90,543	101,863
Less: Provision for debt impairment		(48,016)	(53,146)	(56,009)	(62,172)	(41,939)			(65,009)	(71,009)	(77,009)
Total Consumer debtors	2	**22,582**	**12,747**	**7,340**	**17,906**	**2,097**		–	**14,881**	**19,534**	**24,854**
Debt impairment provision											
Balance at the beginning of the year		114,538	48,016	53,146	54,672	40,296			59,009	65,009	71,009
Contributions to the provision		10,890	9,258	7,248	7,500	1,643			6,000	6,000	6,000
Bad debts written off		(77,412)	(4,128)	(4,386)							
Balance at end of year		**48,016**	**53,146**	**56,009**	**62,172**	**41,939**		–	**65,009**	**71,009**	**77,009**
Property, plant and equipment (PPE)											
PPE at cost/valuation (excl. finance leases)		594,190	620,526	655,249	713,388	702,648			711,118	742,154	774,825
Leases recognised as PPE	3	678	812	812					812	812	812
Less: Accumulated depreciation		(206,393)	(224,209)	(244,029)	(276,463)	(276,175)			(268,245)	(292,461)	(316,677)
Total Property, plant and equipment (PPE)	2	**388,475**	**397,130**	**412,032**	**436,925**	**426,473**	–	–	**443,686**	**450,506**	**458,961**
LIABILITIES											
Current liabilities - Borrowing											
Short term loans (other than bank overdraft)											
Current portion of long-term liabilities		263	353	295	310	–			1,035	1,139	1,253
Total Current liabilities - Borrowing		**263**	**353**	**295**	**310**	–	–	–	**1,035**	**1,139**	**1,253**
Trade and other payables											
Trade and other creditors		20,243	21,839	20,041	26,501	27,094			26,425	25,000	27,000
Unspent conditional transfers		349	1,157	801							
VAT											
Total Trade and other payables	2	**20,592**	**22,996**	**20,841**	**26,501**	**27,094**	–	–	**26,425**	**25,000**	**27,000**
Non current liabilities - Borrowing											
Borrowing	4				8,000	7,545			13,024	11,885	10,632
Finance leases (including PPP asset element)		547	295	–	283						
Total Non current liabilities - Borrowing		**547**	**295**	–	**8,283**	**7,545**	–	–	**13,024**	**11,885**	**10,632**
Provisions - non-current											
Retirement benefits		4,633	5,157	5,171	8,210	7,428			6,266	7,531	8,796
List other major provision items											
Refuse landfill site rehabilitation											
Long Service Awards		1,060	1,376	1,707					2,014	2,285	2,556
Total Provisions - non-current		**5,694**	**6,533**	**6,878**	**8,210**	**7,428**	–	–	**8,280**	**9,816**	**11,352**
CHANGES IN NET ASSETS											
Accumulated Surplus/(Deficit)											
Accumulated Surplus/(Deficit) - opening balance		469,543	406,170	400,462	404,417	401,924			403,634	417,203	420,534
GRAP adjustments		(49,865)	(11,652)								
Restated balance		419,678	394,518	400,462	404,417	401,924	–	–	403,634	417,203	420,534
Surplus/(Deficit)		(13,508)	5,944	1,666	(7,873)	1,710			13,569	3,331	7,705
Appropriations to Reserves											
Transfers from Reserves											
Depreciation offsets											
Other adjustments											
Accumulated Surplus/(Deficit)	1	**406,170**	**400,462**	**402,128**	**396,544**	**403,634**	–	–	**417,203**	**420,534**	**428,239**
Reserves											
Housing Development Fund											
Capital replacement											
Self-insurance											
Other reserves											
Revaluation											
Total Reserves	2	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	2	**406,170**	**400,462**	**402,128**	**396,544**	**403,634**	–	–	**417,203**	**420,534**	**428,239**

MBRR Table SA9 – Social, economic and demographic statistics and assumptions

EC136 Emalahleni (Ec) - Supporting Table SA9 Social, economic and demographic statistics and assumptions

Description of economic indicator	Ref.	Basis of calculation	2001 Census	2007 Survey	2011 Census	2014/15	2015/16	2016/17	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
						Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Demographics												
Population			122,000		119,000	119,000	119,000	119,000	119,000	119,000		
Females aged 5 - 14			19,000		13,000	13,000	13,000	13,000	13,000	13,000		
Males aged 5 - 14			19,000		14,000	14,000	14,000	14,000	14,000	14,000		
Females aged 15 - 34			19,000		14,000	14,000	14,000	14,000	14,000	14,000		
Males aged 15 - 34			18,000		18,000	18,000	18,000	18,000	18,000	18,000		
Unemployment			21,000		18,000	18,000	18,000	18,000	18,000	18,000		
Monthly household income (no. of households)	1, 12											
No income			4,136		4,804	4,804	4,804	4,804	4,804	4,804		
R1 - R1 600			12,847		14,919	14,919	14,919	14,919	14,919	14,919		
R1 601 - R3 200			6,746		7,835	7,835	7,835	7,835	7,835	7,835		
R3 201 - R6 400			1,972		2,290	2,290	2,290	2,290	2,290	2,290		
R6 401 - R12 800			839		974	974	974	974	974	974		
R12 801 - R25 600			470		545	545	545	545	545	545		
R25 601 - R51 200			199		232	232	232	232	232	232		
R52 201 - R102 400			35		41	41	41	41	41	41		
R102 401 - R204 800			16		18	18	18	18	18	18		
R204 801 - R409 600			20		23	23	23	23	23	23		
R409 601 - R819 200												
> R819 200												
Poverty profiles (no. of households)												
< R2 060 per household per month	13		23,729		27,557	27,557	27,557	27,557	27,557	27,557		
Insert description	2											
Household/demographics (000)												
Number of people in municipal area			121,822		119,460	119,460	119,460	119,460	119,460	119,460		
Number of poor people in municipal area			83,204		63,680	63,680	63,680	63,680	63,680	63,680		
Number of households in municipal area			27,280		31,681	31,681	31,681	31,681	31,681	31,681		
Number of poor households in municipal area			23,729		27,557	27,557	27,557	27,557	27,557	27,557		
Definition of poor household (R per month)			3,200		3,200	3,200	3,200	3,200	3,200	3,200		
Housing statistics	3											
Formal			14,804		14,804	14,804	14,804	14,804	14,804	14,804		
Informal			17,777		17,777	17,777	17,777	17,777	17,777	17,777		
Total number of households			32,581	-	32,581	32,581	32,581	32,581	32,581	32,581	-	-
Dwellings provided by municipality	4											
Dwellings provided by province/s												
Dwellings provided by private sector	5											
Total new housing dwellings			-	-	-	-	-	-	-	-	-	-

MBRR Table SA9 – Social, economic and demographic statistics and assumptions

Detail on the provision of municipal services for A10

Total municipal services	Ref.		2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
			Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
		Household service targets (000)									
		Water:									
		Piped water inside dwelling	–	–	–	–	–	–	–	–	–
		Piped water inside yard (but not in dwelling)	–	–	–	–	–	–	–	–	–
	8	Using public tap (at least min.service level)	–	–	–	–	–	–	–	–	–
	10	Other water supply (at least min.service level)	–	–	–	–	–	–	–	–	–
		Minimum Service Level and Above sub-total	–	–	–	–	–	–	–	–	–
	9	Using public tap (< min.service level)	–	–	–	–	–	–	–	–	–
	10	Other water supply (< min service level)	–	–	–	–	–	–	–	–	–
		No water supply	–	–	–	–	–	–	–	–	–
		Below Minimum Service Level sub-total	–	–	–	–	–	–	–	–	–
		Total number of households	–	–	–	–	–	–	–	–	–
		Sanitation/sewerage:									
		Flush toilet (connected to sewerage)	–	–	–	–	–	–	–	–	–
		Flush toilet (with septic tank)	–	–	–	–	–	–	–	–	–
		Chemical toilet	–	–	–	–	–	–	–	–	–
		Pit toilet (ventilated)	–	–	–	–	–	–	–	–	–
		Other toilet provisions (> min.service level)	–	–	–	–	–	–	–	–	–
		Minimum Service Level and Above sub-total	–	–	–	–	–	–	–	–	–
		Bucket toilet	–	–	–	–	–	–	–	–	–
		Other toilet provisions (< min.service level)	–	–	–	–	–	–	–	–	–
		No toilet provisions	–	–	–	–	–	–	–	–	–
		Below Minimum Service Level sub-total	–	–	–	–	–	–	–	–	–
		Total number of households	–	–	–	–	–	–	–	–	–
		Energy:									
		Electricity (at least min.service level)	–	–	–	–	–	–	–	–	–
		Electricity - prepaid (min.service level)	3,253	3,253	3,253	3,253	3,253	3,253	3,253	3,253	3,253
		Minimum Service Level and Above sub-total	3,253	3,253	3,253	3,253	3,253	3,253	3,253	3,253	3,253
		Electricity (< min.service level)	–	–	–	–	–	–	–	–	–
		Electricity - prepaid (< min. service level)	–	–	–	–	–	–	–	–	–
		Other energy sources	–	–	–	–	–	–	–	–	–
		Below Minimum Service Level sub-total	–	–	–	–	–	–	–	–	–
		Total number of households	**3,253**	**3,253**	**3,253**	**3,253**	**3,253**	**3,253**	**3,253**	**3,253**	**3,253**
		Refuse:									
		Removed at least once a week	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637
		Minimum Service Level and Above sub-total	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637
		Removed less frequently than once a week	165	165	165	165	165	165	165	165	165
		Using communal refuse dump	528	528	528	528	528	528	528	528	528
		Using own refuse dump	20,165	20,165	20,165	20,165	20,165	20,165	20,165	20,165	20,165
		Other rubbish disposal	1,303	1,303	1,303	1,303	1,303	1,303	1,303	1,303	1,303
		No rubbish disposal	6,883	6,883	6,883	6,883	6,883	6,883	6,883	6,883	6,883
		Below Minimum Service Level sub-total	29,044	29,044	29,044	29,044	29,044	29,044	29,044	29,044	29,044
		Total number of households	**31,681**	**31,681**	**31,681**	**31,681**	**31,681**	**31,681**	**31,681**	**31,681**	**31,681**

1.19 Municipal Manager's quality certificate

I SW Vatala, Municipal Manager of Emalahleni Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name DR SW VATALA

Municipal Manager of Emalahleni Municipality

Signature ....

Date **29 MARCH 2018**